Towards a Digitally Enabled Society

Sustainability Report

For the year ended 31 December 2018

TelOne
Bringing You Together

Contents

Introduction

Towards a Digitally Enabled Society

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

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

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

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

About this Report

We are pleased to present the TelOne (Private) Limited Sustainability Report for the year ended 31 December 2018. At TelOne, we are committed to adapt to the ever changing business environment driven by market needs and those of the communities around us. We continue to evolve, transforming our capabilities to become a converged multimedia communication and digital services provider.

This report covers all of TelOne operations in Zimbabwe.

Reporting frameworks

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

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

Assurance on financial and non-financial information

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

Mission Statement

Our Vision

Digitally enabled society by 2023

Our Mission

To provide connectivity and digital solutions

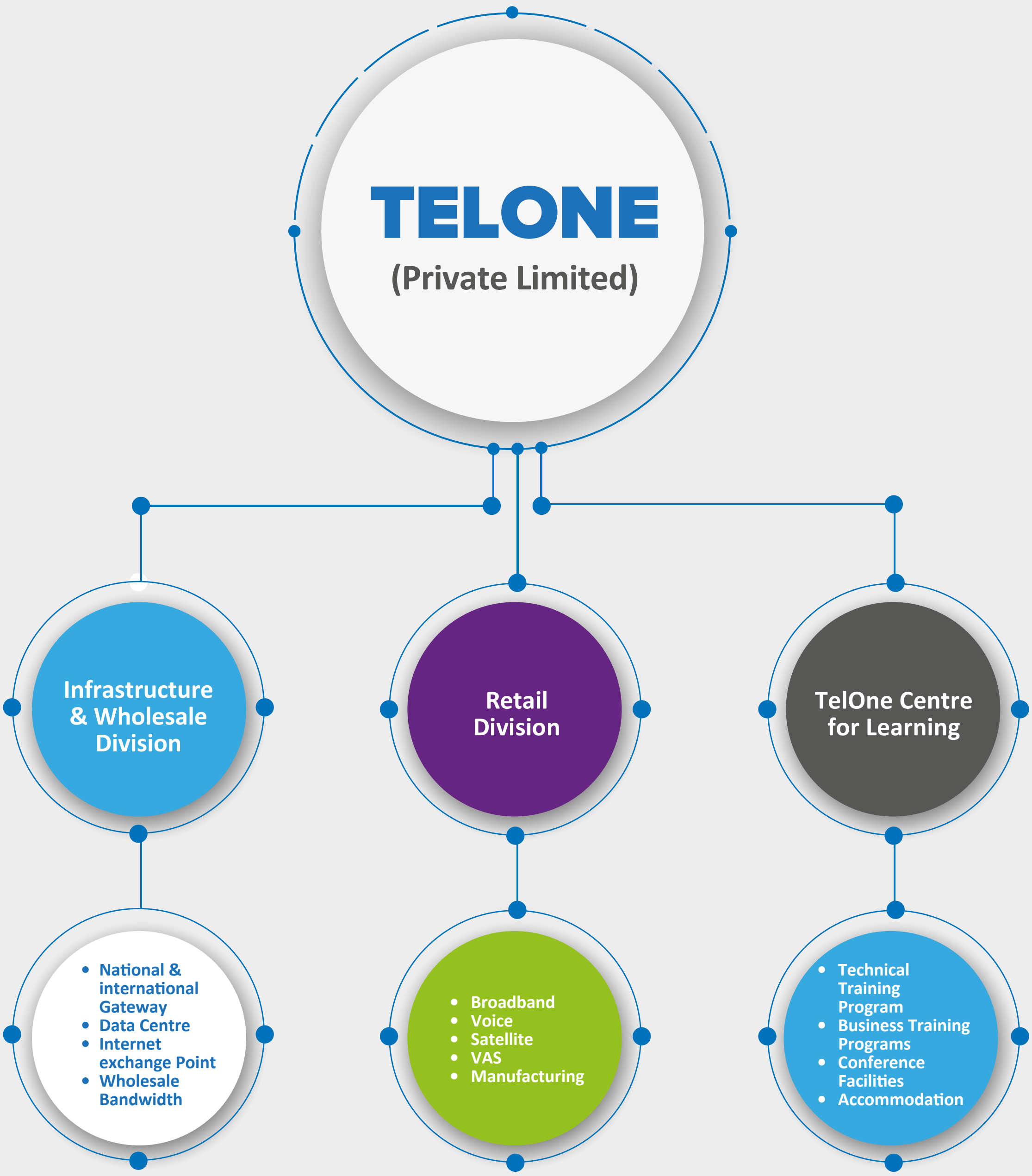
Our Values

Client Centric:	Our clients are at the centre of our existence and we will continuously engage them to deliver superior service at all times.
Commitment:	We are dedicated to deliver value to all stakeholders.
Innovation:	We promote a culture of creativity and innovation to improve and develop cutting edge products and services.
Accountability:	We are accountable for our actions which will remain compliant, professional and reliable.
Excellence:	We strive to continuously improve ourselves in line with changing developments in the sector.
Teamwork:	We complement each other's effort in delivering superior client service.

How We Are Organised

TelOne is Zimbabwe's leading fixed telecommunications and multi-media services company that connects businesses and people together. Our product portfolio includes fixed voice (landlines), broadband, data transfer and Value Added Services (VAS).

TelOne envisages to be a customer centric, agile player whose main thrust is enabling connectivity for everyone across Zimbabwe. The business is thus strategically organized into 3 divisions namely TelOne Wholesale, TelOne Retail and TelOne Centre for Learning to service different segments of the market.



TelOne Retail

TelOne's Retail Division caters for the Business to Customer market, which includes Corporates, Small to Medium Enterprise (SMEs) and households. The division offers fixed voice, data transfer and broadband services as well as Value Added Services (VAS). The Retail Division also offers Enterprise Solutions which include Virtual Private Networks, Point-to-Point data connections, leased internet, IPBX, Data and Voice Conferencing facilities and Webmail hosting.

TelOne BROADBAND

Home Broadband

TelOne offers the most affordable and reliable Home Broadband solutions via Fibre or ADSL which is our copper based broadband solution. TelOne still offers the most cost effective Broadband solutions in Zimbabwe with packages starting from as little at $37.50.

Modem Insurance

TelOne launched a Modem Insurance service in June 2018 in a bid to assist clients secure modems in the event of theft or damage. The service has become very popular with Clients especially with the ever increasing cost of replacing modems. The service helps ensure that clients are always connected and do not have interrupted service in the event of damage.

Satellite

TelOne currently offers Satellite Broadband Solutions via C Band and Ka Band Vsat. VSAT is capable of reaching very remote locations and is particularly useful where communication infrastructure is limited or non-existent. A number of schools and hospitals in the rural areas have benefited from the availability of this service. TelOne is thus playing a key role in ensuring quality education and access to information for learners as well as communities. The service has also been adopted by Corporates and individuals alike who use it for mission critical applications between their offices or for basic broadband connectivity.

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

Public Wi-Fi

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

TelOne Public Wi-Fi has continued to increase market dominance and has been deployed in high density residential areas, residential flats, informal trading sites, higher learning institutions and fast food chain stores as well as leisure spots.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ENJOY
A WORLD OF
BROAD
INTERNET SOLUTIONS
When it comes to online communication, TelOne Broadband is the best. You can enjoy chatting, streaming, downloading or surfing the net via ADSL, Fiber or Wi-Fi. With so many broadband platforms to choose, you're guaranteed a quality package that suits you.
Enjoy fast, affordable, reliable internet at home today.
ADSL | WiFi | Fibre
Runhare House, 107 Kwame Nkrumah Avenue
Harare: (024) 2783 565/6, Bulawayo: (029) 2717 760 or 2886 688
Gweru: (054) 2221 794 or 2230 617, Mutare: (020) 2063395 or 2067666
Masvingo: (039) 2263 284 or 2263 384
Call Centre: (024) 2700 950
TelOne
BROADBAND

TelOne VOICE

Conventional voice

TelOne offers the lowest calling rates from just 11 cents a minute for local on-net calls. The service is available to both business and individual customers. TelOne's voice service reaches even the most remote and distant corners of the country.

Voice value added services include:

Conference calls - This service allows you to call two other numbers and talk over a common connection.
Call transfer - Allows you to transfer your call to another landline or cellphone number, during a call.
Call divert - Gives you the ability to forward all your calls to another number, when your landline is busy.
Call forwarding - A call is automatically transferred to a selected number if the customer does not answer an incoming call within a specified period.
Call waiting - This service enables customers to put a call-in-progress on hold, answer another incoming call on the same line and then switch back to the first call.

Voice over Internet Protocol (VoIP)

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

IP Centrex/ Hosted PBX

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

Enterprise solutions

- Voice (traditional voice service)
- Voice over Internet Protocol (VoIP)
- Leased Internet
- Virtual Private Network (VPN)
- IP PBX
- Conferencing facilities – Data and Video conferencing
- Webmail hosting

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Make Calls for FREE
with TelOne VoIP

Bringing businesses and customers together is what we do best. TelOne VoIP enables you to call any telephone number - including local, long distance, mobile and international numbers over a secure, seamless platform.

Get in touch with us and enhance the way you communicate with your customers.

Get in touch with our Accounts Managers to discuss your business communication needs.

ACCOUNT MANAGER	SECTOR	CONTACT DETAILS
Mutakura Weeaknel	Government Departments	(024) 279 6645 / 0772 422 350 / 0718 422 350
Chirwa Blessing	Banking & Finance	(024) 279 3362 / 0719 999 788
Munyangiri Abrams	Tertiary	(024) 279 3395 / 0773 284 767
Maziva Keith	Parastatals	(024) 279 3999 / 0713 012 292
Redzo Takunda	Retail	(024) 270 3509 / 0772 672 668
Moyo Duduzile	Southern Region	0718 079 913

Voice | Broadband | Satellite

Safe | Secure | Speedy
SOLUTIONS

TelOne
Bringing You Together

TelOne
VALUE ADDED SERVICES

DEOD
Entertainment on demand

Digital Entertainment On Demand (DEOD)

TelOne in conjunction with a South African partner recently launched Digital Entertainment On Demand service, which is a new, exciting and innovative service which allows clients to watch their favorite movies and shows through a broadband connection. The service is easy to access and allows greater choice and control.

DEOD is an on demand premium entertainment solution geared for the African market. With a wide variety of packages to choose from, DEOD has taken the Zimbabwean market by storm and is set to continue to change the TV viewing experience of our clients.

Guests follow proceedings at the DEOD launch

Subscription Packages

DEOD offers five 'all you can eat' subscription entertainment packages, valid for 30 days from date of payment:

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

Rent

Your a la carte section, **Rent** provides customers with the option to rent the latest movies released by all six major film studios, hot off the big screen, on a Pay-Per-Title basis.

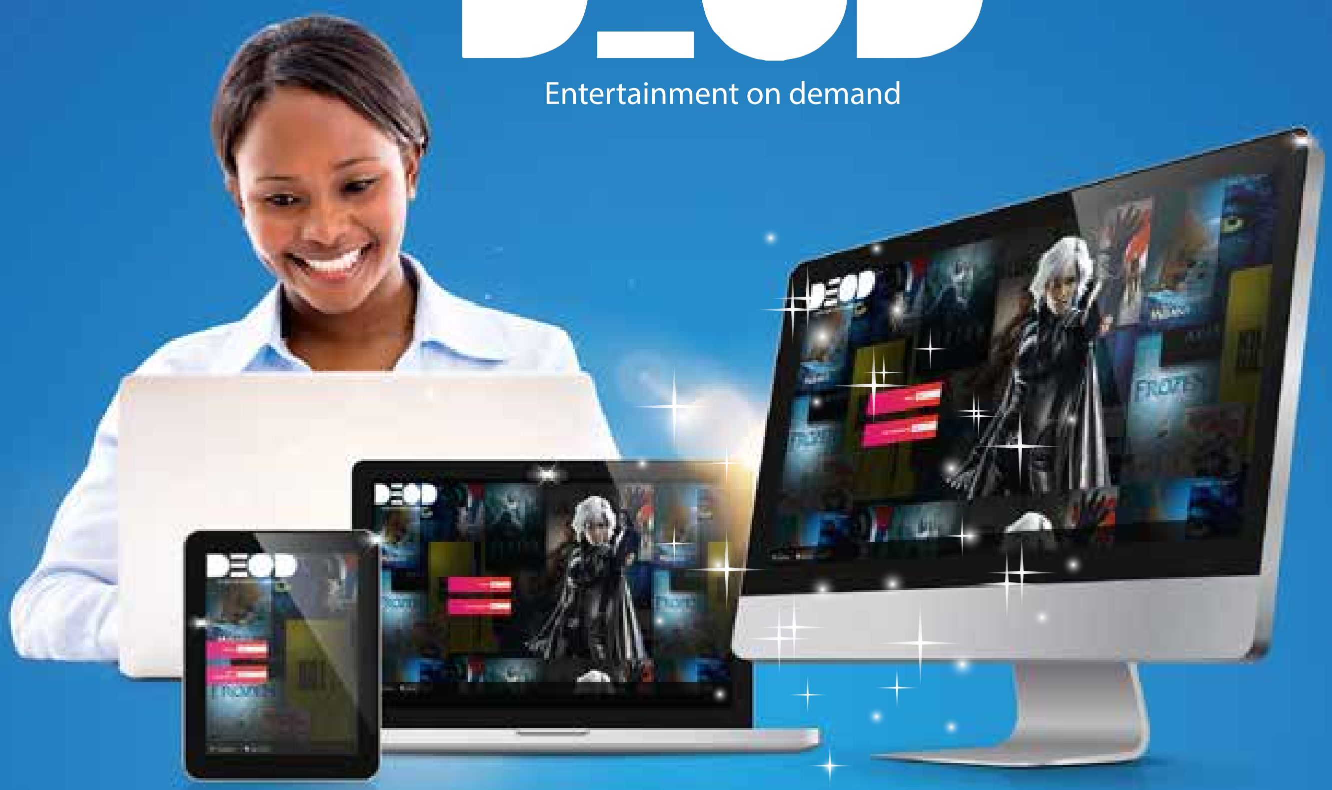
Rent offers two type of movies:

- Current releases (3-4 months from its cinema launch)
- Library titles (A mix of recent titles, 8-12 months from its cinema release, franchise box sets and focus titles)

TelOne brings you

DEOD

Entertainment on demand



REGISTRATION PROCESS

1. Visit https://zw.deod.tv
2. Click on Register
3. Enter your Email and Preferred Password.
4. Click on Accept Terms and Conditions.
5. Click to accept DEOD Communication (Optional).
6. Click on Register
7. Go to Your Email to Activate your account by clicking the link in the Activation Email.

Please note your username is your email.

NO extra charge for data if you have an active Telone Broadband connection. T's & C's apply

Download the DEOD Mobile App on
Select Zimbabwe when prompted for Country

GET IT ON Google Play | Download on the App Store

Follow me Technology | **Convenience** | **Dual View** | **Control** | **Choice**

To learn more visit deod.tv/zw

Call Centre: (0242) 700 950 0718 700 950
Runhare House, 107 Kwame Nkrumah Avenue
Harare: (0242) 783 565/6, Bulawayo: (029) 717 760 or 886 688, Gweru: (054) 221 794 or 230 617
Mutare: (020) 63395 or 67666, Masvingo: (039) 263 284 or 263 384

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TelOne
Bringing You Together

TelOne Infrastructure & Wholesale

TelOne's Infrastructure and Wholesale Division is Zimbabwe's largest provider of bulk Internet and is an Internet Access Provider (IAP) offering services to telecommunications operators and internet service providers (ISP).

Wholesale Products and Services

- **Wholesale IP Transit**
  TelOne offers high quality and stable internet connections which are critical for business. The IP transit product provides high performance, cost effective connectivity to both the domestic and global internet.

- **Backhaul Services**
  TelOne provides dedicated and scalable high capacity bandwidth, ideal for a backhaul solution that requires resilient clear channel and uncontested connectivity. The service is provided over Internet Protocol/Multiple Protocol Label Switching (IP/MPLS) core network. TelOne can assist clients to bridge physical Points of Presence (PoP) between major cities and towns.

- **Wholesale Metro VPN**
  TelOne employs an Internet Protocol/Multiple Protocol Label Switching (IP/MPLS) core network using fibre and copper to provide point to point connectivity between customer sites. This is a virtual connection between customer sites that ensures privacy and security of data.

- **International Private Leased Circuits**
  TelOne provides dedicated end to end connectivity designed to connect customers to the rest of the world efficiently. With this service, customers can easily communicate between offices that are geographically dispersed throughout the world.

- **Voice Carrier Services**
  As a carrier of carriers, we connect networks from different service providers to our highly resilient, flexible network that has full redundancy. Our large network allows our clients to ride on us thereby increasing their coverage and taking advantage of our interconnect relationships with other carriers.

- **ADSL Wholesale**
  TelOne offers a white label service to interested licensed operators to resale our ADSL Broadband service to customers who have landlines at the end user premises. The target market is Internet Access Providers and Internet Service providers.

- **Fibre Broadband Wholesale**
  Fibre broadband is offered as a white-labelled service to interested licensed operators for reselling. The service is available in selected fibre-enabled areas. The service enables the use of cloud-based services as well as video conferencing based on OTT services, like Skype and high definition video streaming on YouTube.

- **Co-location services**
  Service providers can connect their equipment and extend their telecommunications network through leasing TelOne facilities and assets. Available facilities include space, power, cooling, and physical security for servers, storage and networking to connect them to a variety of service providers with minimum cost and complexity.

- **Cloud Services**
  Our customers can enjoy peace of mind and reduce spending by using our secure, private cloud services. Clients can enjoy Infrastructure as a Services (IaaS), Platform as a Service (PaaS) and Software as a Service (SaaS) as well as other hosted and value-added services.

TelOne Centre for Learning

Deputy Minister of ICT and Courier Services Hon. J. Muswere and TelOne Board Chairman Mrs J. Machoba during a graduation ceremony at TCFL in 2018.

TelOne Centre for Learning (TCFL)

TelOne Centre for Learning (TCFL) is a technology school offering business courses as well as conferencing facilities to Zimbabwe, SADC and beyond. TCFL, a SADC Certified Centre of Excellence, seeks to develop skills relevant to digital economy through various long and short courses including a degree, five diplomas and an array of short courses. The following are flagship TCFL programmes:

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

www.telone.co.zw

VPCG_2035

COMPLETED YOUR 'O' or 'A' LEVEL? PREPARE FOR YOUR FUTURE CAREER TODAY!

ENROL WITH THE TELONE CENTRE FOR LEARNING

TelOne Centre for Learning (TCFL), a SADC Certified Centre of Excellence and affiliate of the National University of Science and Technology (NUST), hereby invites applications for entry into the following program.

Bachelor of Engineering (Honours) Degree in Telecommunications Engineering

Entry Requirements

- 2 Advanced Level including Mathematics, Physics and a third Science subject and
- 5 Ordinary Level Passes including Mathematics, Science and English

Mode of Study

- Five years full-time

How to Apply

- Through email or in person to the following addresses

Harare; Tel: (024) 2780126-9; 0712 349 866 (Cnr S. Machel Ave/Hampden Street, Belvedere, Harare)
Bulawayo; Tel: (029) 2461109; 0712802958 (No. 9 Lemington Rd, Belmont, Bulawayo)
Email: tcfl.marketing@telone.co.zw or studentaffairs@telone.co.zw

To apply for any other course: email or bring in person to TCFL, certified copies of academic certificates and National ID.

Contact the Training Administrator

Technical | Business | Facilities
TelOne Centre for Learning
Cnr. Samora Machel West / Hampden Street
P.O. Box CY1001, Causeway, Belvedere, Harare
Tel: (024) 2780126-9, 2780131-5, 2793232
Email: tcfl.marketing@telone.co.zw, studentaffairs@telone.co.zw

TelOne
CENTRE FOR LEARNING

TelOne Manufacturing


Telephone Manufacture and Repairs

This section is responsible for manufacture and repairs of various telecommunications client premise equipment including:-

a) Telephone handsets
b) Fax machines.
c) PABX machines.
d) Repair Electronic Cards
e) Manufacture proto type designs e.g. 50v, 80v power supplies and Electronic Pulse Generators (EPGs)
f) Manufacture surge current limiters
g) Offers field support services to electrical and electronic items produced by the factory.

Coil Winding and PCB Profile.

The department manufactures the following items,

a) Transformers, relays and wire wound resistors.
b) Various printed circuit boards both single and double sided.
c) Assembling of various electronic cards and shell used in telecommunications is done here.
d) Forming and wiring of DP boxes.

Fabrication

Through the different sections we have at the plant, TelOne maintains various systems in the network as well as fabricating various products to support the access, switching and transmission network.

The mechanical workshops fabricate various products such as braai stands, window frames, sliding gates, tank stands, palisade fences, different types of screen products and other products made on request.

Assembly of gadgets

TelOne will be embarking on the assembly and manufacture of ADSL modems and laptops.

CORPORATE
GOVERNANCE REPORT

- Chairman's statement
- Managing Director's report
- Corporate Governance report

Chairman's Statement

CHAIRMAN: MRS J. MACHOBA

"We are remodelling the company's strategy to focus on delivery of digital solutions and value added services supported by our improved broadband network."

DEAR STAKEHOLDER

It is my pleasure to present the TelOne (Private) Limited Sustainability Report for the year ended 31 December 2018.

OPERATING ENVIRONMENT

Economic Environment

The operating environment remained challenging throughout 2018. The economy was characterised by year on year inflation of 42% as at December 2018 and foreign currency constraints which led to the emergence of disparities in the price of goods and services.

Telecommunications Sector

The telecommunications sector recorded a 45% revenue growth from $1.1 billion in 2017 to $1.6 billion in 2018. The growth in the sector's revenue was driven by an increase in broadband and data consumption. There was a 17% growth in fixed internet access subscribers from 147,310 in 2017 to 173,056 in 2018. This contributed towards a 7.5% improvement in the internet penetration rate from 55.4% in 2017 to 62.9% in 2018.

FINANCIAL PERFORMANCE

The Company achieved a 5% revenue growth from $119 million in 2017 to $125 million in 2018. The revenue growth was due to a 37% increase in data revenue, resulting from a 14% upturn in our broadband and data subscriber base. For the first time ever, data revenue has now surpassed voice, a direct result of the business' transformation strategy.

Operating costs increased by 2% from $84 million in 2017 to $86 million in 2018, driven by inflationary pressures experienced in the second half of the year. The increase in costs was outweighed by the revenue growth resulting in a 21% improvement in Earnings Before Interest, Tax, Depreciation and Amortisation (EBITDA). EBITDA increased from $19 million in 2017 to $23 million in 2018.

TelOne's positive operating performance was however weighed down by Balance Sheet issues which include legacy loan finance charges of $12.4 million and $8.9 million penalties and interest imposed by the Zimbabwe Revenue Authority (ZIMRA) for late settlement of its obligations. ZIMRA penalties were incurred without consideration of the fact that the Company's default on its tax obligations was mainly due to liquidity challenges brought by late settlement of amounts owed by debtors who include the Government of Zimbabwe. TelOne continues to work with the Ministry of Finance & Economic Development and ZIMRA to find an amicable solution to these penalties.

BALANCE SHEET

The TelOne balance sheet is in a technical insolvency position, with liabilities exceeding assets by $190 million. The Company's liabilities include legacy loans of $384 million which were inherited from the Posts and Telecommunications Corporation (PTC) at its unbundling in 2000. The loans were all guaranteed by the Government of Zimbabwe. Subsequent to year end, the Government passed a resolution to warehouse the legacy loans to enable the business to attract more investment. While the terms of the debt restructuring are being formalised. The Company appreciates and applauds Government for taking this initiative.

The Company has a high debtors' book of $151 million of which $93 million is owed by the Government and State Owned Enterprises. This has resulted in a liquidity challenge which has affected the Company's ability to service its trading and statutory obligations.

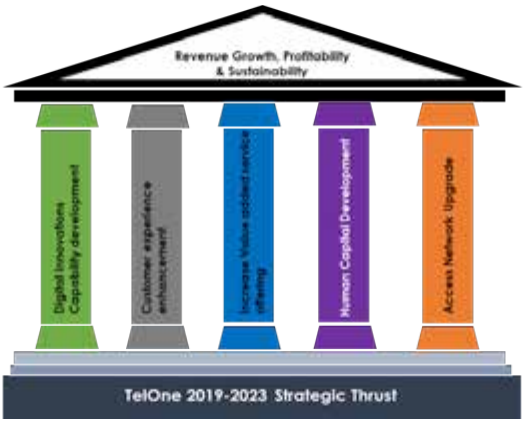
Availability of foreign currency remains a major factor threatening the Company's sustainability. TelOne imports a significant part of its inputs such as internet bandwidth, equipment, software licenses and maintenance fees. The Company is facing potential withdrawal of service and litigation should it fail to access more than US$25 million to service pressing commitments to these foreign creditors. Service withdrawal will have an impact on the Company's operations and will affect the country at large as most Government and business operations which rely on TelOne services will be negatively affected. TelOne continues to call on the Government and Reserve Bank of Zimbabwe to support the business in accessing foreign currency to service these pressing commitments.

Chairman's Statement (cont'd)

STRATEGIC THRUST

The Company has embarked on a new strategic journey from 2019 with the following key pillars;

- Revenue growth, Profitability and Sustainability
- Transformation into a Technology, Media & Telecommunications company offering Value Added Services and Digital Solutions
- Customer Experience Enhancement
- Human Capital Development
- Access Network Upgrade



The TelOne vision has now been remodelled to "Digitally enabled Society by 2023". This also dovetails with the Government of Zimbabwe's thrust to becoming a digitally enabled society as we transform to attain a middle income economy by 2030.

PARTIAL PRIVATISATION

The Government of Zimbabwe announced that TelOne, among other Parastatals, is earmarked for partial privatisation that will see the Government partly shedding off its shareholding to a strategic partner. The Company has embraced this initiative on partial privatisation which will bring the following envisaged benefits:

- TelOne will have access to much needed capital investment to fund further network development projects
- TelOne has limited technological Research & Development capacity to support the new business model which is anchored on Telecommunications, Media and Technology (TMT). Therefore a strategic partner is expected to bring in the requisite skills and technology to deliver on this mandate
- Expanded access to a global network with clear marketing strengths that will grow revenues for TelOne.

Relevant committees whose composition is inclusive of a wide range of stakeholders including TelOne Board, Management, State Enterprises Restructuring Agency, and Ministry of ICT & Courier Services officials have been constituted to drive the Partial Privatisation programme which is expected to be finalised during the year.

COMMITMENT TO GOOD CORPORATE GOVERNANCE

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

GOING FORWARD

The Company expects a challenging 2019 with foreign currency availability and inflationary pressures in the country becoming more pronounced. Despite these challenges, the Company is looking forward to leveraging on Government's digitalisation drive and e-Government initiatives which are aligned to the Company's strategic thrust for the next 5 years.

Partial privatisation plans are expected to gather momentum in 2019 and this is expected to create room for the Company to attract investments, which will drive business growth.

APPRECIATION

We are indebted to our Shareholder, business partners and the Regulator for their unwavering support. To our valuable clients, we thank you for standing with us. We will continue to prioritize and work on improving the delivery of innovative, reliable and affordable services.

I also wish to acknowledge the hard work by the whole TelOne team comprising the Board of Directors, Management and all staff members who continue to demonstrate commitment to transform the business.

MRS. J. MACHOBA
BOARD CHAIRMAN

30 APRIL 2019

Managing Director's Report

MANAGING DIRECTOR: MRS C. MTASA

TELONE IS NOW A DATA COMPANY

Despite 2018 being a challenging year, we have delivered on our strategy and managed to realise benefits from the successful implementation of the National Broadband (NBB) Project. The network upgrade and modernisation allowed the Company to set the path for the implementation of an improved business model which leverages on data and high speed broadband to deliver digital and value added services.

For the first time in the Company's history, we have managed to offset the decline in voice revenue with increased data revenue, a positive response to our strategic focus. We continue to innovate around our products and support to improve on the overall client experience. Our operational and financial results largely reflect the business' refocus to becoming a data company anchored on data revenue growth.

We remain optimistic on our future prospects of delivering a digitally enabled society, through our new 5 five year strategy.

PERFORMANCE HIGHLIGHTS

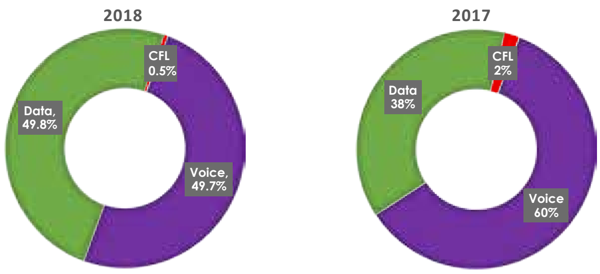
	2018	2017	% Change
Revenue	**$125 million**	**$119 million**	**5% ▲**
Data revenue	$61.1 million	$45 million	37% ▲
Voice revenue	$61.0 million	$72 million	15%▼
Average Revenue Per User	**$28**	**$27**	**4%▲**
Operating Expenses	**$86 million**	**$84 million**	**2%▲**
EBITDA	**$23 million**	**$19 million**	**21% ▲**
CAPEX	**$22 million**	**$68 million**	**68%▼**
Employee Engagement Index	**3.5**	**2.5**	**40% ▲**
Backbone coverage	**4,000km**	**3,700 km**	**8% ▲**
Data Subscribers	**100,005**	**87,851**	**14% ▲**
Voice Subscribers	**285,146**	**264,150**	**8% ▲**

FINANCIAL PERFORMANCE

Revenue Performance

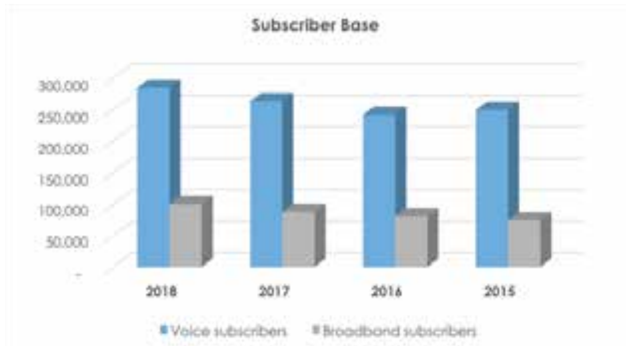
During the year, revenue grew by 5% from $119 million in 2017 to $125 million. The growth in revenue was driven by an increase in data revenues, which went up by 37% from $45 million in 2017 to $61.1 million in 2018. Since the beginning of the implementation of the NBB project in 2016, the Company has witnessed an 85% cumulative growth in data revenue, resulting for the first time, in the off-setting of voice revenue loss by gain in data revenue.

Revenue Contribution by Product



In 2018, the Company improved its data contribution to revenue from 38% in 2017 to 49.8%. This is in line with the strategic path the business has adopted to move from a traditional voice to a data service centric business. We are targeting to continue growing our data revenue contribution while also diversifying our revenue mix to incorporate digital and value added services.

Subscriber Base



In 2018, the Company's fixed data subscribers increased by 14% from 87,851 to 100,005. Voice subscribers increased by 8% from 264,150 to 285,146.

Divisional revenue performance

The Retail Division remains the top contributor to the Company's revenue, contributing 79% while Infrastructure and Wholesale contributed 17%. Over the period, the Retail Division revenue remained unchanged at $102 million. The Infrastructure and Wholesale (I&W) Division recorded a 32% revenue growth from $16 million in 2017 to $21 million.

Managing Director's Report (cont'd)

Profitability
While there was a marked improvement in the Company's revenue, performance, this was however eroded by the inflation rate of 42% experienced in 2018. Inflationary pressures led to a 2% increase in operating costs from $84 million to $86 million. The cost increases were experienced on imported inputs consumed by the business in providing service. These increases were tied to exchange rate movements on the unofficial currency markets.

Despite the inflation induced increases in operating costs, the Company's performance at EBITDA level improved by 21%, growing from $19 million in 2017 to $23 million in 2018. The improved profitability was due to the 5% revenue growth.

The company incurred a Loss Before Tax of $19.6 million in 2018, a decrease from the $39 million loss incurred in 2017, due to the following balance sheet issues which continue to weigh down on performance;

- Finance charges on legacy loans of $12.4 million. Company performance continues to be eroded by the legacy loans which were inherited from the Posts and Telecommunications Corporation (PTC) at its unbundling in 2000.
- In 2018, the company was penalised $8.9 million by ZIMRA for late settlement of its tax obligations. The company's default on its ZIMRA obligations was due to liquidity challenges brought by late settlement of amounts owed by various customers who mainly include the Government of Zimbabwe. The company will continue to work with ZIMRA and the Government for an amicable solution to clear the ZIMRA debt while also recovering amounts due from Government.

Without the Legacy Loan expenses, exchange gains and ZIMRA penalties and interest, the company would have incurred a narrowed Loss before tax position of $380,000 which is a marked reduction from the $10.2 million loss that would have been incurred in 2017 before legacy loan charges.

BALANCE SHEET

TelOne remains technically insolvent with a net liability position of $190 million due to the impact of legacy loans amounting to $384 million. In March 2019, the Government of Zimbabwe passed a decision to warehouse the legacy loans to pave way for partial privatisation. While the terms of the debt restructuring are being finalised, the Company looks forward to the arrangement resulting in a healthy restructured balance sheet.

Accounts Receivables
TelOne's net accounts receivables decreased by 7% from $162 million in 2017 to $151 million in 2018. The amount is made up of balances due from Government Ministries, Parastatals, Corporates and Household clients. Government and Parastatal indebtedness to telOne of $93 million constitute 62% of the net accounts receivables. Delayed settlement by debtors continues to have a negative impact on the company's ability to settle critical statutory and contractual obligations.

The company is continuously engaging Government for settlement of the accumulated accounts receivables balance while also pursuing corporate and residential customers who are in default through litigation where appropriate.

Accounts Payables
Accounts payables increased by 7% from $152 million to $162 million. The increase in foreign creditors is due to challenges faced by the business in securing foreign currency to settle foreign obligations amounting to $32 million. Settlement of critical local creditors of $98 million has been affected by late settlement of accounts receivables. Local creditors, namely Postal and Telecommunications Regulatory Authority of Zimbabwe, Zimbabwe Revenue Authority, local interconnection partners and the Pension Fund are collectively owed $93 million.

Timely settlement of creditors is hinged upon the Company's ability to recover the debtor's book, therefore TelOne will continue to be focussed on debt collection.

OUR CUSTOMERS

The business continues to get support from individual clients, Parastatals, Government and Corporate players as evidenced by the growth in our subscriber base. Various initiatives are currently underway to enhance customer experience through the introduction of new products and services as well as improved support services.

The Company has revamped its self-service portal for a better customer experience while an Electronic Voucher Distribution system has been introduced across the branch network to ensure a seamless digital experience in 2018.

Digital Entertainment on Demand (DEOD)
Introduction of new value added services remains a priority, with the Company having celebrated the introduction of an online television service, Digital Entertainment on Demand (DEOD) in 2018. DEOD is the first converged online OTT television service to launch in Zimbabwe, offering a mix of On Demand Subscription content, Internet TV Channels and Pay-Per-View rentals of the latest cinema releases, across multiple devices.

DEOD has been well received by the market and has attracted more than 10,000 subscribers as at 31 December 2018.

Managing Director's Report (cont'd)

Network Vandalism
While efforts have been made to improve our client experience, the business continues to experience setbacks resulting from network vandalism. There has been a 257% increase in the incidence of network vandalism across the country, with 475 cases recorded in 2018 compared to 133 cases in 2017. The adverse economic environment, coupled with the global increase in copper prices, have been contributing factors that have resulted in illicit copper dealings in the country.

During 2018, more than 30,000 customers were affected by the service disruptions resulting from the theft of copper from our network.

Initiatives to curb the illicit activities continue to be implemented, leading to the arrest of more than 160 suspects during the year. Ultimately, the Company aims to fully protect its network with robust security systems.

CORPORATE SOCIAL INVESTMENT
The Company remains focused on being relevant to the communities it operates in through playing a part and impacting everyday lives. During 2018, our social investments remained guided by four pillars namely Environment, Health, Education and Social Welfare.

Specific programmes that include our flagship bin donations and tree planting grew during the year while visibility in the community health access space was also strengthened through wide reaching medical outreach programmes and construction of a clinic.

An exciting year-long Girls Mentorship and Training programme was launched through which the company is engaging its female leaders to mentor high school girls from disadvantaged backgrounds who are also trained on various topics by expert partners.

OUR EMPLOYEES REMAIN KEY TO SERVING OUR CLIENTS
Our employees are of prime importance to the successful implementation of our strategy. The Company believes in creating a supportive and rewarding work environment. In crafting our strategy, we have taken measures to ensure that we continuously improve the work environment for our employees. These measures include an annual assessment of our Employee Engagement Index.

The TelOne 2018 Employee Engagement Survey results revealed an upward improvement in the Employee Engagement Index from 2.5 in 2017 to 3.5 in 2018.

To improve our overall employee engagement, various initiatives which include annual Wellness Fairs where screening and educational sessions on cancer, HIV, diabetes and hypertension are conducted. The Company also promotes a healthy lifestyle through structured sporting competitions for all staff members. Structured team building sessions for all levels are organised companywide while continuous training to instil humane servant leadership continued during 2018.

NETWORK AND SYSTEMS UPGRADES
The Company appreciates the support received from Government following the $98.6 million guarantee recieved to fund Network modernisation under the NBB Project. Milestones achieved on the project in 2018 include;

- Migration to new numbering plan to comply with international numbering regulations
- Bulawayo IMS Core Network Switch to provide redundancy to the Harare Switch
- Harare-Masvingo-Beitbridge (600km) backbone fibre (100G) improving network reliability
- Replacement of 154 exchanges country-wide to allow provision of Multi Media Services
- Fibre to the home projects connecting more than 7,500 homes in 2018.

OUTLOOK
2019 is forecast to be a very challenging year due to foreign currency constraints which are forecast to continue affecting the country. The Company has however set targets to further improve on service delivery and provide value to our shareholder.

The following will be our strategic focus areas going forward;

- Partial privatisation
- Recovery of our accounts receivables to allow settlement of accounts payables
- Improving our foreign currency generation capacity
- Increasing our digital innovation capabilities
- Continued improvement in our response rate to customer queries and service requests to ensure a unique customer experience
- Phased upgrade of our access network
- Further revenue growth for enhanced profitability.

APPRECIATION
It is my pleasure to extend appreciation to our valued clients, shareholder, the Board of Directors and Regulator for their continued support and guidance. I also wish to express my gratitude to TelOne staff for their dedication to meeting client expectations as we begin the next phase in the TelOne transformation journey.

MRS. C. MTASA
MANAGING DIRECTOR

30 April 2019

Corporate Governance Report

Board of Directors

In March 2018, new independent directors were appointed to the TelOne Board of Directors following expiry of the tenure of the previous board in August 2017. The current Board of Directors is constituted as follows.

Mrs. Juliet Machoba
Non-Executive Chairman

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

Mr. Edward Dube
Non-Executive Director

Chairman - Board Business Development, Marketing and Technical Committee (BMT)
Member - Board Human Resources Committee

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

Ms. Belinda Muswaka
Non-Executive Director

Chairman - Board Finance and Audit Committee
Member - Board Business Development, Marketing and Technical Committee (BMT)

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

Mrs. Viola M. Chasi
Non-Executive Director

Member - Board Finance and Audit Committee
Member - Board Human Resources Committee

- Post Graduate Diploma, Law & International Business (PGradDip, University of Cumbria)
- Master Intellectual Property (MIP, Africa University in Collaboration with WIPO and ARIPO))
- Diploma in Accounting and Corporate Governance (Institute of Chartered of Secretaries and Administrators of Zimbabwe)
- Management Advancement Programme Plus (Henley Business School, Africa)
- Bachelor of Laws (LLB Hons), (UZ)
- Bachelor of Law Honours, (BL Hons) (UZ)

Dr. George Manyumwa
Non-Executive Director

Chairman - Board Human Resources Committee
Member - Board Finance and Audit Committee

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

Mr. Simon C. Chigwamba
Non-Executive Director

Member - Board Human Resources Committee
Member - Board Business Development, Marketing and Technical Committee (BMT)

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

Mrs. Chipo Mtasa
Ex-officio Board member

Managing Director
Ex-officio Board member

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

Corporate Governance Report (cont'd)

This TelOne Corporate Governance report provides annual disclosure on the overall corporate governance system of the business. The report provides information on the various corporate bodies, their composition, function and powers as well as the various committees set up within the Board of Directors. At the heart of the business is the desire to achieve the highest standard of organisational efficiency and transparency as the business implements its turnaround strategy. We emphasise the separation of powers between the Board of Directors and Management; where the former provides an oversight role and the later implements the day to day running of the business.

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

Governance structure

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

Board member	Designation	Committees
Mrs. J. Machoba	Board Chairperson Non-Executive Director	N/A
Mrs. V. M Chasi	Non-Executive Director	· Human Resources · Finance and Audit
Mr. E. Dube	Non-Executive Director	· Human Resources · BMT
Ms. B. Muswaka	Non-Executive Director	· Finance and Audit · BMT
Dr. G. Manyumwa	Non-Executive Director	· Finance and Audit · Human Resources
Mr. C.S. Chigwamba	Non-Executive Director	· Human Resources · BMT
Mrs. C. Mtasa	Managing Director Ex officio member of the Board	· All

Finance and Audit Committee

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

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

Corporate Governance Report (cont'd)

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 development. The committee provides oversight, evaluates and considers for approval matters pertaining to;

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

Business Development, Marketing and Technical Committee (BMT)
The role of the business development, marketing and technical development committee is to support and advise the board in exercising its authority in relation to business development, market performance and technical projects.
The committee is responsible for approval and on-going oversight matters pertaining to:

- The company strategy and 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 line with the company's strategy and business performance.

Board Induction Program
Following appointment of the Board in March 2018, all Board Members were taken through a designed induction program covering the local and international telecommunications industry, company performance, strategy and an overview of operations.

Annual Board Evaluation
An annual Board Self Evaluation System is in place for the evaluation of the performance of individual Board Members and the Board's effectiveness on an annual basis. The next evaluation will be carried in 2019.

Director Tenure and Meeting Attendance
We take pride in the commitment exhibited by our Directors reflected by the overall average attendance of above 85% shown below:

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

Corporate Governance Report (cont'd)

Executive Management

Mrs. Chipo Mtasa
Managing Director

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

Mr. Joseph Machiva
Divisional Director Retail

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

Mr. Hopewell Zinyau
Corporate Services Director

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

Eng. Lawrence Nkala
Divisional Director Infrastructure and Wholesale

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

Corporate Governance Report (cont'd)

Executive Management (cont'd)

Mr. Kudakwashe Musundire
Finance and Administration Director

- Appointed 1 April 2019
- Chartered Accountant (Zimbabwe)
- Honours Bachelor of Accounting Science (UNISA)
- Bachelor of Commerce (Honours) Degree in Accounting (NUST)

Eng. Jeremiah T. Munembe
Innovation Executive

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

Mrs. Caroline Sandura
Company Secretary & Legal Advisor

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

Corporate Governance Report (cont'd)

Executive Management (cont'd)

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

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

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

Membership of the committee is as follows
- Engineer L. Nkala - Divisional Director Infrastructure and Wholesale (Chairman)
- Mr. K. Musundire - Finance and Administration Director
- Mr H. Zinyau - Corporate Services Director
- Mr. J. Machiva - Divisional Director Retail
- Engineer J. Munembe - Innovation Executive
- Mrs C. Sandura - Company Secretary and Legal Advisor

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

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

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

Deloitte.
TIP-OFFS
ANONYMOUS

SUSTAINABILITY REPORT

Sustainability Reporting
- Our Approach to Doing business
- Our Performance as a Sustainable and Responsible Business
- Risk Report

Sustainability Reporting

We are aligned to the Global Reporting Initiatives (GRI) standards covering the Economic, Social and Environment dimensions. Compliance to Sustainable Development Goals 5 and 9 where:

Goal 5: Gender Equality giving female employees and the girl child opportunities to be financially autonomous.

Goal 9: Industry, Innovation and Infrastructure we continue to conduct our business in a manner that respects the community and environment as we roll out network infrastructure and innovate new products and services.

Our Approach to Doing Business

Corporate Strategy Journey

We have been on a journey transforming from a Plain Old Telephone Services (POTS) company and transitioning into a Telecommunications, Media and Technology (TMT) company where digitization and digitalization are expected to catapult TelOne into the world of Virtual Reality (VR) which is fast replacing the physical reality as a long term strategy.

Our Vision: Digitally Enabled Society by 2023

Focusing On:

- Developing Human Capital
- Transforming into a Telecommunications Media and Technology company driven by innovativeness
- Giving excellent Customer Experience and leading to Revenue Growth, Profitability and Sustainability

Our desire is to make benefits of digitization and digitalization accessible to our communities through provision of affordable products and services in support of the national agenda on bridging the digital divide between rural and urban areas. The drive is premised on ensuring that customer value comes first.

Thus, the company has proactively identified and managed fraud and corrupt risks through its comprehensive Enterprise Risk Management system.

Human capital and technology transformation key to business sustainability

Over the period 2013 to 2018, our strategic focus has been to transform our business model and underlying technology from being a traditional voice to a broadband services oriented company. This was achieved through investments made to modernise our network infrastructure as part of the National Broadband Project (NBB) which was concluded during the year.

To realise our ambition of further transforming our business to offer digital services, we have laid plans to empower our human capital base with requisite digital skills.

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	2018 performance	2017 performance
Our Customers	Increase customer satisfaction and achieve a customer satisfaction index of 90%	72%	75%
	Attend to new service installations within an average of 24 hours	25.85 hours	21.29hours
	Attend to client service faults within an average of 24 hours	60%	68%
	Increase service reliability and achieve a network uptime of 99.95%	99.99%	99.94%
Our Environment	50% of employees to participate in clean-ing the environment we operate in.	65%	50%
	Plant at least 50,000 trees per year	50,000 trees were planted across the country	5,000 trees were planted across the country
	Distribute 2,000 bins per annum to a total of 12 towns and cities.	1,400 bins donated at a cost of US$53,200	1,000 bins donated at a cost of US$38,000
Our Communities (Health)	Support access to health in 2 districts	Supported the construction of a clinic in Nyanga district Sponsored health consumables and outreach in 3 districts	-
	Respond to urgent community needs	Responded to the cholera crisis with sponsorship worth US$80,000 benefitting 3 districts	-
Our Communities (Social Welfare)	Benefit 2 vulnerable groups in the community	Donated 100 blankets to young people living in the streets and an additional 400 blankets to Bulawayo and Mberengwa	-
	Community employment opportunities created through projects.	2,500	1,800
	Number of university students recruited for work related learning.	178	183
	Contribute to the development of educational facilities by investing at least US$50,000 per annum in aiding the development of infrastructure at educational institutions in the country.	US$48,000	US$35,000
Our Employees	Achieve 5 training days per year	1.4 days	3.8 days
	Rate of staff turnover	4%	4%
	Eliminate time lost through injuries at the work place (LTI days)	157 days	250 days
	Improve work culture index score to 3 out of 5	3.5	2.67

We are a digital company
and care about people!

Over the years, TelOne has made considerable progress in redefining the business to be centred on people. We have taken an active and deliberate responsibility to our Clients, Shareholder, Employees, Community and the Economy. Our strategy continues to be 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 progress.
- We care about our impact on the economy in Zimbabwe and we seek to contribute positively at all times.
- We care about our clients, creating memorable experiences and giving value for their money.
- We are concerned about the well-being 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 continue to play our role in its development.
- We care about the impact of our operations on the environment and continuously seek to improve our role in environment awareness.

Focus on Our Shareholder

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

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

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

Minister of ICT and Courier Services Honorable Kazembe Kazembe during a visit to TelOne

2018 Annual General Meeting in pictures

Besides holding our Annual General Meetings and publishing our financial results, TelOne throughout the year exposes its operations to the Shareholder representative led by our parent Ministry of ICT and Courier Services.

Our contribution to the Economy

TelOne has for many years, been committed to fostering inclusive growth by addressing socio-economic challenges. Our interventions have deliberately targeted societal needs in areas including health, education, employment creation and environmental rehabilitation. We believe that together with our core operations, the interventions by TelOne are contributing significantly to the growth of the economy and the Zimbabwe Human Development Index. We have supported with funding and professional expertise to enable social and humanitarian projects around the country.

Role in the Economy

By operating responsibly and efficiently, TelOne creates value for clients and the shareholder. At the same time, the business make an important contribution to the functioning of the economy through various support activities.

TelOne is closely interconnected with the economy and society and has responsibilities towards a wide range of stakeholders. The primary function as a Telecommunications entity is to be a reliable and professional partner to our clients, offering them a range of telecommunications products and services to meet their individual needs.

Our role as a taxpayer is another way in which we contribute to society and ultimately to the economy. Over the past two years, TelOne has paid an annual average of US$30 million in taxes to the government with a total of US$39.6 million having been paid in 2018.

		2018	2017
VALUE DISTRIBUTED			
Employement Cost	USD	44,745,652	43,946,686
Taxes and levies paid	USD	39,595,267	19,603,267
Depreciation	USD	28,870,501	27,316,392
Interest	USD	15,208,489	17,171,147
Licence fees	USD	1,844,088	1,891,361
Total value distributed	**USD**	**130,263,997**	**109,928,853**
Employees		1,898	1,907
Value created per employee	USD	68,632	57,645

Our contribution to the Economy (cont'd)

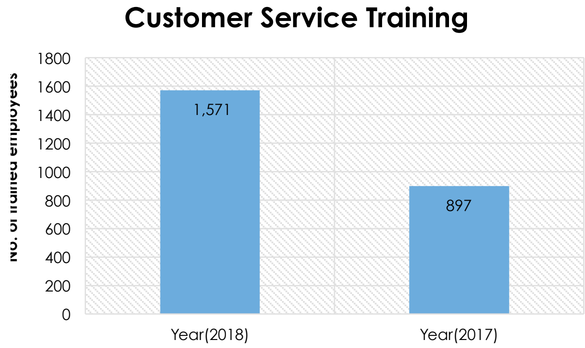
Supporting start-up businesses

In 2018 TelOne spent $40,000 to support start-up businesses by young entrepreneurs identified through a Hackathon. The business identified two projects that were supported financially and it is expected that this will go a long way in reducing unemployment.

Participants at the TelOne Hackathon in 2018

Putting Our Customers First

TelOne aims to satisfy its customers through a policy based on provision of products and services that meet customer expectations and a firm commitment to continuous improvement. Our employees are aware of their role in our quality policy, as reflected by their active participation in revising, improving and optimizing existing processes and controls in order to guarantee the quality of our products. The business aims to respond adequately to customer needs through an established and traceable system that assures the examination, online logging and response to requests.



Customer Service Training

The company conducted Customer Service Training; equipping employees with the knowledge, skills and competencies required to increase customer satisfaction during the year. The training included supervisory, customer service symposium, debt recovery, business etiquette, market and client service, client care and grooming, product knowledge, personal brand effectiveness and customer service excellence. A total number of 1,571 employees were trained in 2018 and 897 in 2017.

Engaging our customers

The interests of every customer are as important to us as the interests of society in general. It is essential for us to be able to provide targeted response to users' requirements and ensure higher level of service quality. TelOne has made good progress in our efforts to improve customer experience through improving network quality, enhancement of operational efficiencies and customer touch points. Social media platforms such as Facebook, Twitter and YouTube have become a powerful tool to interact, communicate, and sharing of information. TelOne is using social media platforms for brand building and as a mechanism to resolve customer complaints.

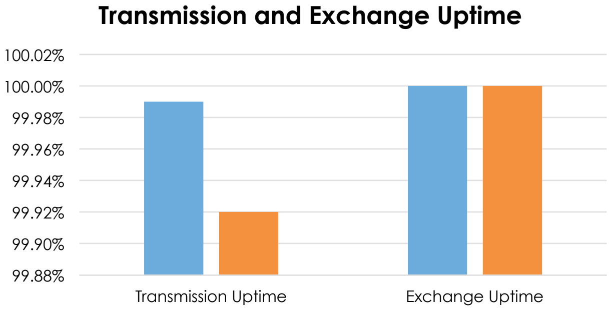
Client experience management

Online Payment Platforms	For the convenience of our customers, TelOne bills and broadband voucher purchase can now be done from the comfort of the home or office through the following platforms; • TelPay (https://www.telpay.co.zw) • All 19 banks in Zimbabwe • Paynow • Cellulant (www.cellulant.co.zw) • Ndasenda www.ndasenda.co.zw • Zimbabwe Shared Services Agency • FBC Point of sale • CBZ touch Mobile App
Self-service Portal	TelOne has revamped its self-service portal for a better customer experience. The new self-service portal comes at a time "Convenience" has increasingly become a necessity to our clients. The refreshed portal utilizes the latest front-end technology to deliver the same experience as one gets from any browser such as Google Chrome, Edge, Firefox and Internet Explorer.
TelOne Mobile App	The TelOne App also ensures customers have access to information about TelOne's products and services whenever the user needs it (24 hours a day) and at their convenience. The app allows the logging faults, checking balances and more from the convenience of customer's mobile phones, Apple, Android or Microsoft devices.
New Products and Services	TelOne launched its first local content catalogue on the Digital Entertainment on Demand (DEOD) platform launched in October 2018 in fulfilment of its promise to add Zimbabwean content to its index of international subscription, rental movies and series content.
	TelOne conducted a Hackathon to support the development of new products and services. The Hackathons targeted mainly the young entrepreneurs, 2 projects were identified for further development.

Putting Our Customers First (cont’d)

Our service uptime promise

TelOne’s transmission uptime improved from 99.92% in 2017 to 99.98% in 2018. This performance is above the target of 99.95% for 2018. Despite the power challenges the business invested in alternative power sources to guarantee a 100% exchange uptime between 2017 and 2018 allowing efficient service delivery to our customers.

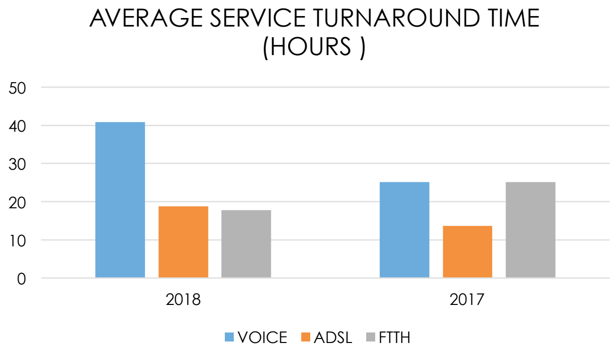


Average Service Turnaround Time (Astt)

TelOne aims to improve the turnaround times for all new products. Major challenges in 2018 were foreign currency shortages affecting procurement of spares and vandalism and theft of copper cables from our network. These significantly affected service provisioning resulting in increased ASTT. TelOne however aims to reduce the ASTT to below 25 hours.

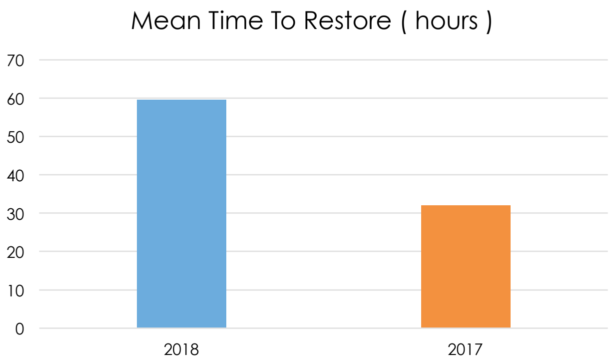
Enterprise Business Client Engagement

At TelOne we believe that the customer is at the heart of everything and strong account relationship management and efficient support have become a key focus area for our Enterprise Business Unit.



Mean Time to Restore (MTTR)

Despite efforts to curb increased network vandalism and copper cable thefts by installing security alarms on the copper cable infrastructure cases of cable theft and vandalism were on the rise. This negatively affected the time it takes to repair faults that grew to 59.59 hours in 2018 from 32.09 hours in 2017. The company continues to engage in public campaigns for public awareness while it successfully lobbied for stiffer penalties to those engaging in copper theft.

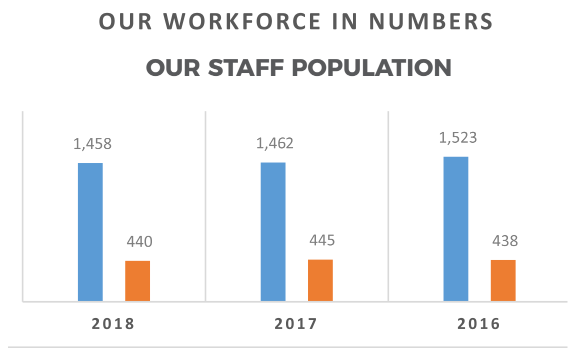


Focus on Our Employees

Our Staff Population

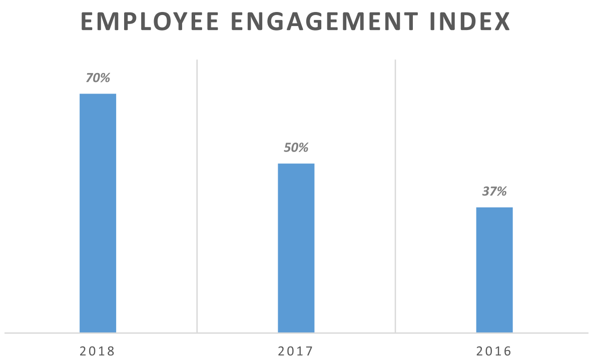
Our staff count has declined over the years from 1,961 in 2016 to 1,898 in 2018. Despite this 3% decrease in number of employees, Telone remained one of the major employers in the local Telecommunications industry.

Our workforce in numbers



Industrial Relations

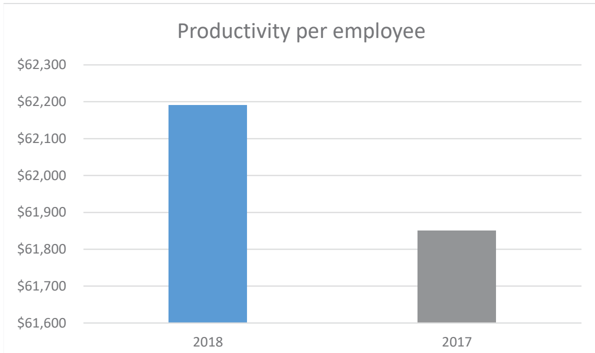
The company continues to enjoy a positive and healthy industrial relations climate as evidenced by its continued growth in the employee engagement index as shown below.



Employee Engagement Index

Employee engagement index increased by 20% from 50% in 2017 to 70% in 2018. The improvement was achieved by putting in place a structured engagement process through which management and employees located in all offices across the country discuss matters affecting company performance, employee welfare as well as other issues affecting the general workplace.

STAFF PRODUCTIVITY



Developing and Retaining Talent

The company focused on skills retention, development and talent identification which included scouting for talent outside the organization where necessary. This has allowed the building of a team ready to tackle the challenges brought about by the ever changing market factors. Continuous assessments of performance are being done to address areas of skills deficiencies as well as implement relevant training programmes. Continued dialogue with all stakeholders enabled the team to implement the second phase of the Business Transformational Strategy in terms of structural re-alignment. The structural re-alignment has not resulted in retrenchments as the company made a deliberate effort not to retrench employees but redeploy based on skills and, where necessary, new skills were acquired.

The company's industrial labour Relations remained on a relatively stable path during the year reflecting the benefits of dialogue and open communicating .The way in which management monitored performance of the workforce allowed and ensured great progress in attainment of organizations strategic goals.

Promoting Wellness

The company held wellness fairs in all of its regions namely; Midlands, Masvingo, Matebeleland, Manicaland and Harare. Well known health service providers such as Cancer Association of Zimbabwe, PSI and Diabetes Association were invited with the main objective of the event being to better improve on employee wellbeing and/ healthy promotion of employees. Employees received free medical screening tests and consultation for various ailments and conditions which include diabetes, hypertension, cancer and HIV.

Focus on Our Employees (cont'd)

Wellness through sports
TelOne has taken the responsibility and instilled the sporting culture among its staff as both wellness intervention and team building opportunity. The company is committed to protecting the health and safety to all its employees and has taken the responsibility to advance sporting and health awareness programmes. During the year the company held its annual Managing Director's sports gala at St Ignatius Chishawasha in December 2018. The event brought together members of staff from all of our regions in the country. The event focused on the following six disciplines covering soccer, netball, volleyball, chess, pool and darts. Going forward there will be broadening of disciplines to include others such as tennis.

Safety Issues
One of the company's main goals is to ensure there is a safe working environment for every employee. There is a committee responsible for overseeing Safety Health and Environment issues at the workplace. This committee reports into the Risk Management Committee.

Our lost time through injury in days was 250 and 157 for 2017 and 2018 respectively. This was achieved through training of all our staff including supervisors and contract employees on the safety requirements at the work place. In response to the increased occurrence of accidents in 2017 the company engaged in intensive awareness campaigns which yield a positive result shown by a decrease in number of days in 2018.

The Company supports team building and wellness through sports.

To ensure quality of SHE equipment such as extension ladders, poles and hand tools. Committees formed to provide a specification and final inspection of the products before accepting them for use. Regular inspections were carried out by boards such as NSSA and Fire Brigade and no penalties were received from them, they just specified on areas of improvement.

Preparing Our Employees For Retirement
In a bid to ensure our employees are prepared for life after employment, the Company introduced a pre-retirement planning training program in 2014. In its formation days, main emphasis was on 60-65 year old employees who were near retirement age. Over the years pre-retirement training has also been received by up to 30-35 year olds. The main goal is that by 2020 the process will be done at the induction of every employee.

Performance Management
The company has in place a performance management system which was developed from the Results Based Performance Management System .Under this system all employees have a performance contract and their performance is reviewed quarterly against this performance contract. This has led to 1.5% improvement in our productivity levels from $61,170 in revenue per employee in 2017 to $62,171 in 2018.

End of year staff performance recognition awards ceremony 2018

TELONE

in the Community

Connecting People, Building Communities

In the context of the TelOne strategy being driven by our endevour to remain relevant to the communities in which we operate, the Company runs several community programmes. The community programmes run under five pillars – **Environment, Health, Education, Social Welfare and Sport.**

Environment

Provide-A-Bin

As we participate in the National Clean Up Days, TelOne reaffirms its commitment to providing a clean, safe and healthy environment for the community we operate in.

His Excellency President E. D. Mnangagwa utilising one of the TelOne bins during a clean-up programme

The bins impact at least 1 million citizens daily who utilise them to dispose of litter. They have helped City and Town Councils and other local authorities contain the littering plague and improve on cleanliness. The programme has also significantly contributed to the improvement of litter bin ratios in places like Harare CBD where TelOne has donated at total of 800 bins in the CBD alone out of the required 2,500. The programme also entails continuous rehabilitation and replacement of these litter bins.

Plant-A-Tree

TelOne Divisional Director - Retail, Mr Joseph Machiva helps to plant a tree during a fruit tree donation programme in Rutenga

TelOne also runs the Plant-A-Tree programme through which an incremental number of trees are planted annually. This programme supports sustainability for different schools from whose nurseries we purchase the tree seedling. This has helped these schools to generate some income to help in their school development programmes. Furthermore, the programme also supports schools and communities through establishing orchards. A total of 50,000 trees were planted in 2018 while the target is to double the trees planted in 2019.

TelOne Supporting Health

Construction Programme

The TelOne Community Health Access Programme supports selected communities with health interventions. Support comes in terms of material support for existing health facilities and construction support for clinics and health access points working with the Ministry of Health and Childcare. In 2018, TelOne supported the construction of Mapako and Gonde clinics in Nyanga.

Mapako clinic construction partly sponsored by TelOne

Community Clinic Outreach

Furthermore, working with Doctors for Life, TelOne routinely supports community health outreaches where a group of doctors is supported with medicines and other resources to conduct clinics in communities with health access challenges.

Cholera Crisis Response

TelOne responded to the cholera crisis through supporting the Ministry of Health and Child Care with a cash donation. The company also funded the installation of water tanks in areas affected by cholera which were used to hold clean water for the community. 500,000 litres of clean water was donated through weekly deliveries to these areas. Continuous community engagement through sponsoring educational communication is being conducted.

TelOne in Support of Social Welfare

Annually, TelOne selects a welfare intervention to focus on depending on emerging social needs and identified gaps.

During 2018, support was directed to young people living on the streets of Harare who were supported for a makeover and rehabilitation in partnership with the CEO EatOut organisation. TelOne also supported with a donation of blankets for each of the participants.

Under the welfare interventions, more focus is now being given to institutions working with orphans and the elderly. Ad hoc support for people living with disability and are in dire need of equipment like wheelchairs have routinely been considered.

The programme is expected to benefit three new districts in 2019 and expected to be sustained beyond this through partnerships.

Young people living in the street receiving blankets from TelOne through the EatOut Movement

Sanitary pads, exercise books and pens consignment for donation

Sanitary Ware

During the year, TelOne introduced the sanitary ware provision programme as part of girls welfare programme. The programme was launched with a donation of 10,000 disposable sanitary pads to girls in Mberengwa District.

The programme has since spread to other communities with the expectation being to evolve the initiative and investing in the production and provision reusable sanitary pads.

Education

Supporting Connectivity

Education is a key sector in Zimbabwe and is one of the big business spaces for TelOne. To support the development of education in the country through increasing access to information, TelOne has packages that have been tailor made for schools. The same is true for tertiary institutions and training colleges.

Construction Programmes

Besides the business, TelOne has a focused social investment programme which supports connectivity in schools. The programme also supports specific construction programmes in tertiary institutions. In the last three years, TelOne has spent $500,000 on this cause through sponsoring innovation labs, library/laboratory construction and renovations at different institutions of higher learning.

The programme is expected to continue to benefit these institutions on a rotational basis.

Girls Mentorship & Empowerment

Through the Girls Mentorship and Empowerment programme, women leaders in TelOne pay in forward by adopting girls from the enrolled pool for mentorship and support for the duration of the programme. Besides the mentorship relationships, a job shadowing opportunity is availed to all the girls so as to expose them to the world of work and the different opportunities.

Our Motivation

At TelOne we believe in paying it forward. As a woman led organisation that is on a drive to encourage and support more women and girls to take up leadership roles, we have designed an exciting girls empowerment programme. The TelOne QueenMakers Girls Empowerment Programme was launched at the end of 2018 to run for one year with an enrolment of 200 girls from across Zimbabwe.

Girls being hosted in the Legal Department by Manager, Mrs Lindy Dziripi

Training Modules

The participating girls receive a TelOne QueenMakers certificate at the end of the programme after being trained in;

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

The modules are delivered by partner experts in the different areas.

TelOne Supporting Sport

Since 2016, TelOne has been sponsoring a football team, TelOne FC (Midlands) from ZIFA Division Two Southern Region until qualifying for the top flight Premier Soccer League in 2018. The team which has been nicknamed “WiFi Boys” has brought the whole staff body together as the main supporters.

TelOne is excited to add Sport as a key pillar in its social investment matrix through which sports is being developed, jobs are being created while talent through the junior development programme is being nurtured.

Risk Report

Our Approach to Risk Management

TelOne has a developed risk management framework that is aligned with the ISO 31000 and 27000-5 International Risk Management Standards.

Our risk management approach is based on the Enterprise Risk Management model which involves all levels of management in identifying and managing risks affecting the business. This process is championed by a Risk Management function which reports into the Board Finance and Audit Committee.

Risk management responsibility matrix

Risk Champions
Responsible for coordination of the risk management process at operational level. This involves identifying and responding to key risks exposing the business at operational level.

Risk Management Committee
The Committee monitors the mitigation of critical business risks, monitors emerging risks and recommends mitigations. It reviews key risk issues escalated by the risk champions and the business' overall risk register.

Executive Committee
Receives risk reports from the risk management committee and considers risks with the greatest impact to the business and evaluates implementation of mitigating actions.

Audit Committee
It supports the board and reviews key risk issues affecting the business and provides guidance on mitigation.

Board of Directors
The Board has overall oversight of the risk management process.

Internal Audit - Provides assurance over the risk management process

The risk management process as shown above reports into the Board of Directors who exercise overall oversight over the risk management process.

Risk Management Cycle

Risk Report (cont'd)

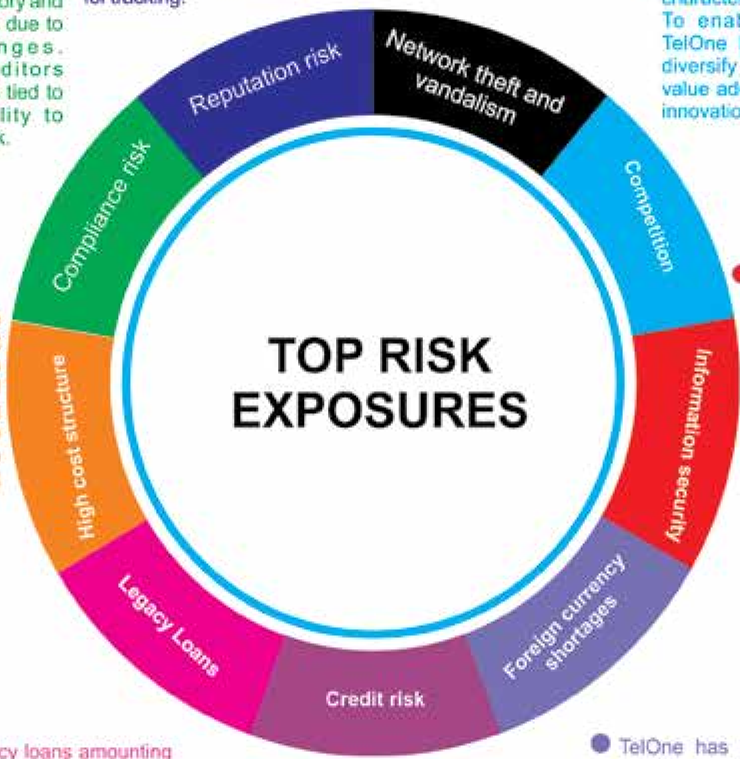
Major Risks

- TelOne is exposed to reputational risk due to service quality issues affecting customer experience and late settlement of creditors. Service quality enhancement initiatives are underway. Engagements with creditors are on-going for extended payment plans on amounts due. Reputation index is also measured quarterly for tracking.

- There was an increase in network theft and vandalism incidences leading to service disruption. Network fortification and anti-vandalisim awareness campaigns in the community are underway.

- Compliance risk emanating from outstanding statutory and contractual obligations due to liquidity challenges. Settlement of creditors remains priority and is tied to the company's ability to recover its debtors book.

- The telecoms industry is characterised by stiff competition. To enable business growth TelOne has plans in place to diversify revenue streams into value added services and digital innovations.



- High cost structure fuelled by a high cost base. The business continues to pursue all possible cost cutting measures and revenue generating initiatives to improve the cost structure.

- Global cyber-security attacks and data breaches are on the increase. Information security education programs and vulnerability assessments are ongoing. Information security continues to be of high priority to the business.

- TelOne inherited legacy loans amounting to $384million as at 31 December 2018, affecting the overall profitability of the business. In an effort to recapitalize the balance sheet, debt warehousing initiatives with the shareholder are underway.

- The company has a significant credit risk emanating from the net debtors book of $151million. Debt collection efforts are on-going to enable recovery of accounts receivables.

- TelOne has been affected by the adverse shortages of foreign currency in the country which is needed to purchase network components and servicing foreign liabilities. This has negatively affected the business operations as service delivery is compromised. The business however continues to pursue other foreign currency generating initiatives to mitigate this risk.

Risk Report (cont'd)

Network Vandalism Awareness

The telone business depends on the support that we get from the community both through consuming our products and caring and protecting the network.

Anti-network vandalism campaigner engaging the community

TelOne on an anti-network vandalism engagement with Headman in Chivi

Anti-network vandalism roadshow and community engagement in Chinhoyi

Network vandalism remains one of the biggest threats to the quality of experience of our clients.

Network thieves and vandals cause annually prejudice to both the TelOne business and our clients running into millions of dollars.

A massive anti-vandalism drive has been running with different State Security arms, the judiciary and service companies like TelOne. The net has closed in on hundreds of criminals with 153 arrests in 2018 alone. Convictions attracting a mandatory sentence of 10 years has been handed down to most of the arrested criminals. Transporting or keeping of copper cables will results in property being forfeited to the state and imprisonment of up-to five years. TelOne depends on the community to arrest and stop this vandalism.

Help us by reporting copper cable thieves and dealers. Tip-offs are treated with confidentiality and can be anonymous. Rewards running into thousands are paid for information leading to arrests.

Help us to continue connecting Zimbabwe towards a "Digitally enabled society by 2023".

FINANCIAL

STATEMENTS

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

DIRECTORS' RESPONSIBILITY STATEMENT

ACCOUNTING RECORDS AND FINANCIAL STATEMENTS

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

EXTERNAL AUDITOR'S ROLE

The company's external auditor, the Office of the Auditor General, is responsible for carrying out an independent examination of financial statements in accordance with International Standards on Auditing and reporting on findings. The external auditor's report is presented on pages 55-59 of the Sustainability Report.

SYSTEMS OF INTERNAL CONTROL

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

GOING CONCERN

The financial statements have been prepared on a going concern basis despite the company's technical insolvency position. The Going Concern basis has been considered to remain an appropriate reporting basis due to plans that are being pursued to recapitalize the company balance sheet and transform the business. Further, the Directors are aware of Government Guarantees against the company's legacy loan balances. Further disclosure on the company's going concern have been made in note 28 to the financial statements.

ACCOUNTING STANDARDS AND POLICIES

The financial statements were prepared with the aim of complying fully with International Financial Reporting Standards (IFRS). While full compliance with IFRS has been possible in previous reporting periods, only partial compliance has been achieved for 2018. The company could not comply with the requirements to IAS 21 in determining the functional currency for use in preparing the financial statements due to the need to comply with Statutory Instrument 33 of 2019 which prescribed parity between the RTGS$ and US$ up to the effective date of 22 February 2019. Further details of this departure from IFRS have been disclosed in note 29 to the financial statements for the year ended 31 December 2018.

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

APPROVAL OF FINANCIAL STATEMENTS

The financial statements for the year ended 31 December 2018 as set out under pages 60-94 fairly present in all material respects the financial position and performance of TelOne (Private) Limited and have been approved by the Board of Directors.

K. MUSUNDIRE	**C. MTASA**	**J. MACHOBA**
Finance Director CA(Z)	**Managing Director**	**Board Chairman**

30 April 2019

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

Reference: SB 54

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

OAG ZIMBABWE
Office of the Auditor-General

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, 2018

Report on the Audit of the Financial Statements

Adverse Opinion

I have audited the financial statements of TelOne (Private) Limited set out on pages 60 to 94, which comprise the Statement of Financial Position as at December 31, 2018, and the Statement of Profit or Loss and Other Comprehensive Income, Statement of Changes in Equity and Statement of Cash Flows for the year then ended, and Notes to the Financial Statements, including a summary of significant accounting policies.

In my opinion, because of the significance of the matter discussed in the Basis for Adverse opinion section of my report, the accompanying financial statements do not present fairly, in all material respects, the financial position of TelOne (Private) Limited as at December 31, 2018, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for Adverse Opinion

As explained in notes 2.4 and 29 of the financial statements the Company did not fully comply with the provisions of International Accounting Standard 21 “The effects of Changes in Foreign Exchange rate” as Statutory Instrument 33 of 2019 precluded the Company from applying an independent assessment of functional currency as required by the accounting standard and in terms of the guidance provided by the Public Accountants and Auditors Board (PAAB). The need to account for these effects emanated from the ‘multi-tiered’ pricing environment that was prevailing during the year under review, where settlement of transactions was dependent on the mode of payment, whether USD cash, RTGS, bond notes and mobile money. Shortage of foreign currency also resulted in foreign exchange rate disparities between RTGS and US$. This in turn affected the pricing structures to incorporate foreign exchange rate movements on the RTGS and bond notes, hence the need to comply with IAS 21 to reflect effects of these changes in the preparation of financial statements. This ‘multi-tiered pricing environment resulted in transactions bearing similarities to what one would expect with transactions that are undertaken in different currencies to which IAS 21 would apply. Had the Company complied with the requirements of IAS 21, many elements in the accompanying financial statements would have been materially affected. The effects on the financial statements of the failure to comply with the requirements of IAS 21 have not been determined.

I conducted my audit in accordance with International Standards on Auditing (ISAs) and International Standards of Supreme Audit Institutions (ISSAIs). My responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Financial Statements section of my report. I am independent of 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.

Material Uncertainty Related to Going Concern

I draw attention to note 28 in the financial statements which shows that the Company had a net liability position of $190 003 191 (2017: $144 207 033) as at December 31, 2018. Also, the entity incurred recurring before tax losses amounting to $19 633 238 (2017: $39 456 452) in 2018 financial year. The entity has significant loans and borrowings amounting to $478 486 643 (2017: $455 833 245) principal plus interest accruals. Fixed-term borrowings approached maturity without realistic prospects of renewal or repayment. These conditions indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern.

Key Audit Matters

Key Audit Matters are those matters that, in my professional judgment, were of most significance in my audit of the financial statements of TelOne for the year ended December 31, 2018. 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 matters described in the Basis for Adverse Opinion and 'Material Uncertainty Related to Going Concern sections', 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 and disclosure of financial instruments. Refer to note 9 of the financial statements. Due to initial adoption of IFRS 9 the entity made an irrevocable election in terms of IFRS 9 par 5.7.5 to classify its investments in ZB and West Indian Cable Company (WIOCC) that are not held for trading as equity instruments at fair-value through other comprehensive income category. Previously under IAS 39, the entity held the investment in WIOCC at a cost of $550 000 and therefore on initial adoption of IFRS 9 the investment was fair valued to $1 429 711. The difference between the previous carrying amount and fair value ($879 711) was recognised in the opening retained earnings of the 2018. However, the ZB shares were previously held at fair value. Due to transitional and post transitional complexity involved in measurement, accounting and disclosure of financial instruments, the audit of financial instruments was a key audit matter.	My procedures in relation to valuation, presentation and disclosure of the financial instruments included the following: • Evaluating management's assessment of the appropriate classification of its financial assets based on their contractual cash flow characteristics and the entity's business model for managing the financial assets. • Review of management's calculations of the impact of any changes in classification on the measurement of its financial assets, including the determination of fair value for equity investments previously measured at cost. • Assessing the reasonability of assumptions and methods used in the valuation of the unquoted equity instruments. • Assessing whether the appropriate and adequate disclosures have been made in the financial statements as a result of initial adoption of IFRSs 9. Based on the outcome of the procedures described above, conclusion in respect of valuation and disclosures of financial instruments is reasonable.
Valuation of property, plant and equipment. Refer to note 3.1 and 4 of the financial statements. The carrying amount of the Company's property, plant and equipment as at December 31, 2018 was $326 109 823 and the related depreciation charge for the year ended December 31, 2018 was $25 171 334. The carrying amount and depreciation rates are reviewed annually by management with reference to current and forecast and relevant technical factors. This involves a significant degree of management judgement and assumptions. Reassessment of useful lives and determination of depreciation rates requires significant management judgement therefore valuation of property, plant and equipment was considered a key audit matter.	My procedures in relation to management 's assessment of the valuation of property, plant and equipment included the following: • Evaluating management's estimates regarding useful lives and residual values of these assets in relation to the Company's historical experience, industry practice and future operating plans. • Discussions with management and inspection of documentary evidence of the state of the assets. • Evaluating the reasonability of assumptions using by management in determining impairment on assets. Based on the evidence gathered, I found management's assumptions in relation to useful lives and carrying amount reasonable.

Key audit matter	How the matter was addressed in the audit
Revenue recognition. Refer to notes 3.10 and 19 of the financial statements. The Company recognised revenue amounting to US$125 158 589 during the year ended December 31, 2018. 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 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
Valuation of trade receivables. Refer to notes 3.8 and 11 of the financial statements. The Company adopted the new and complex accounting standard IFRS 9 on January 01, 2018. This standard employs the use of expected credit losses model rather than the incurred loss model previously applied under IAS 39. The closing impairment allowances reflected in the statement of Financial position as at December 31, 2018 and determined in accordance with IFRS 9 amounted to $122 308 293. I considered the impairment of trade receivables as a key audit matter as the expected credit loss model requires significant judgement in identifying exposures with deteriorating credit risk and interpretation of requirements in determining impairment under IFRS 9.	My audit procedures to address the risk of material misstatement relating to the valuation of trade receivables included: • Assessment of the recoverability of material long outstanding receivables by making comparison of the rate of collection between the current year and prior year. • Evaluation of management's impairment model including a description of the reasonable and supportable information used in its model to determine whether there has been a significant increase in credit risk since initial recognition of its financial assets and to support all inputs and assumptions relating to the model. • Analysis of the debtors' age for the long outstanding amounts and reasonability of expected credit losses. • I evaluated the assessment of the allowance for credit losses made by management to test adequacy. • Assessing whether the appropriate and adequate impairment disclosures have been made in the financial statements as per IFRS 9. I found the key assumptions used in the valuation of trade receivables to be appropriate and I did not identify material issues with adequacy of allowance for credit losses.

Other Information

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

My opinion on the 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.

Responsibility of Management and Those Charged with Governance 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 Responsibilities 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.

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls;

- 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.

20 May 2019

M. CHIRI (MRS),
AUDITOR – GENERAL

STATEMENT OF FINANCIAL POSITION
as at December 31, 2018

	Note	Dec 31, 2018 $	Dec 31, 2017 $
ASSETS			
Non current assets			
Property, plant and equipment	4	326,109,823	279,031,373
Capital work in progress	5	1,998,311	56,207,612
Investment property	7	1,037,922	1,055,892
Intangible assets	8	26,614,965	27,744,768
Financial assets	9	2,024,680	1,358,216
		357,785,701	365,397,861
Current assets			
Inventories	10	9,325,286	9,228,606
Non-current assets held-for-sale	6	131,371	280,986
Current tax receivable	16.3	-	2,529,392
Trade and other receivables	11	150,670,142	161,589,181
Cash and cash equivalents	12	12,169,760	9,348,396
		172,296,559	182,976,561
TOTAL ASSETS		**530,082,260**	**548,374,422**
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	13	32	32
Non-distributable reserve		(13,882,500)	(12,791,542)
Mark to market reserve		434,653	648,769
Retained loss		(176,555,376)	(132,064,292)
		(190,003,191)	(144,207,033)
Non-current liabilities			
Foreign loans due after one year	14	120,769,275	112,379,081
Long term payables	17.5	6,210,206	4,517,258
Deferred tax liability	16.2	43,081,967	51,707,467
Deferred income		-	412,469
		170,061,448	169,016,275
Current liabilities			
Trade and other payables	17.3	162,455,786	151,885,315
Loan interest payable	17.4	205,036,217	194,936,204
Foreign loans due within one year	14	152,681,150	148,517,960
Local loans due within one year	15.2	25,310,419	25,093,028
Current tax payable	16.3	1,417,353	-
Provisions	18	3,123,078	3,132,673
		550,024,003	523,565,180
TOTAL EQUITY AND LIABILITIES		**530,082,260**	**548,374,422**

30 April 2019 — K. MUSUNDIRE, (Director Finance CA(Z)).

30 April 2019 — C. MTASA, (Managing Director).

30 April 2019 — J. MACHOBA, (Board Chairperson).

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME for the year ended December 31, 2018

	Note	Dec 31, 2018 $	Dec 31, 2017 $
Revenue	19	125,158,589	119,152,571
Payment to other operators	20	(18,540,637)	(20,304,854)
Net revenue		**106,617,952**	**98,847,717**
Other income	21	3,084,026	4,004,424
Operating expenses		(86,343,499)	(84,250,339)
Other operating expenses	22	(41,597,847)	(40,303,653)
Staff costs	22.2	(44,745,652)	(43,946,686)
Earnings before interest, tax, depreciation and armotisation		**23,358,479**	**18,601,802**
Depreciation of property, plant and equipment	4	(25,234,318)	(22,840,208)
Depreciation of investment property	7	(17,970)	(17,970)
Amortisation of intangibles	8	(3,618,213)	(4,458,214)
Operating loss		**(5,512,022)**	**(8,714,590)**
Finance income		13,624,767	1,797,760
Finance cost on legacy loans	23.2	(12,363,239)	(15,127,219)
Finance cost on current loans	23.2	(2,845,249)	(2,043,928)
Finance charges from suppliers		(5,648,419)	-
Taxes, penalties and interest	22.3	(8,875,509)	-
Special excise on airtime	22.1	-	(1,270,825)
Net exchange gains/(losses) on legacy loans	24	1,986,433	(14,097,649)
Loss before tax		**(19,633,238)**	**(39,456,452)**
Net tax income	16.1	3,901,941	9,583,946
Loss for the year		**(15,731,297)**	**(29,872,506)**
Other comprehensive income			
Impairment of property, plant and equipment	4	(1,532,288)	(4,617,673)
Deferred tax on impairment of property, plant and equipment		441,330	1,171,720
Fair value re-measurement gain	9	(224,562)	309,381
Deferred tax		10,447	(3,094)
Total other comprehensive loss		**(1,305,073)**	**(3,139,666)**
Total comprehensive loss for the year		**(17,036,370)**	**(33,012,172)**

STATEMENT OF CASH FLOWS
for the year ended December 31, 2018

	Note	Dec 31, 2018 $	Dec 31, 2017 $
Cash flows from operating activities			
Operating Loss		(5,512,022)	(8,714,590)
Adjustments for:			
Depreciation of property, plant and equipment	4	25,171,334	22,840,208
Depreciation of investment property	7	17,970	17,970
Amortisation of intangible assets	8	3,618,213	4,458,214
Deferred Income		-	(328,702)
profit/(Loss) on disposal of property, plant and equipment		(61,692)	40,250
Exchange (gains)/losses	24	(760,360)	2,304,133
		22,473,443	**20,617,483**
Changes in working Capital			
Increase in inventories		(96,680)	(797,810)
Increase in receivables		(17,840,749)	(24,881,809)
Increase in payables		10,570,470	5,367,635
Cash generated from operations		15,106,483	305,499
Tax paid	16.3	(388,037)	(530,604)
Net cash generated/(utilised) in operating activities		**14,718,446**	**(225,105)**
Cash flows from investing activities			
Dividends received		751,694	-
Finance income received		313,591	162,880
Purchase of property, plant and equipment	4	(18,425,045)	(13,857,944)
Purchase of capital work in progress equipment	5	(1,585,372)	(47,016,666)
Purchase of investment property	7	-	(39,832)
Proceeds from disposal of plant, equipment and other spares		512,152	54,561
Intangible asset development expenditure	8	(1,970,738)	(7,055,100)
Net cash utilised in investing activities		**(20,403,718)**	**(67,752,101)**
Cash flows from financing activities			
Finance costs paid		(2,513,469)	(64,846)
Proceeds from long term foreign borrowings	14	14,355,910	78,630,649
Repayment of local borrowings	15	(1,199,094)	(1,615,385)
Repayment of foreign borrowings		(2,136,712)	(3,210,577)
Net cash inflow from financing activities		**8,506,636**	**73,739,841**
Net increases in cash and cash equivalents		**2,821,364**	**5,762,635**
Cash and cash equivalents at beginning of the year		**9,348,396**	**3,585,761**
Cash and cash equivalents at end of year	**12**	**12,169,760**	**9,348,396**

STATEMENT OF CHANGES IN EQUITY
for the year ended December 31, 2018

	Share Capital $	Non Distributable Reserve $	Mark to Market Reserve $	Retained Loss $	Total Equity $
Balance at January 1, 2017	**32**	**(9,345,589)**	**342,482**	**(102,191,786)**	**(111,194,861)**
Comprehensive loss for the year	-	-	-	(29,872,506)	(29,872,506)
Impairment(net of tax)	-	(3,445,953)	-	-	(3,445,953)
Fair value remeasurement gain(net of tax)	-	-	306,287	-	306,287
Balance at December 31, 2017	**32**	**(12,791,542)**	**648,769**	**(132,064,292)**	**(144,207,033)**
Balance at January 01, 2018	**32**	**(12,791,542)**	**648,769**	**(132,064,292)**	**(144,207,033)**
Initial application of IFRS 9				(28,759,787)	(28,759,787)
Adjusted Balance January 01 2018	**32**	**(12,791,542)**	**648,769**	**(160,824,079)**	**(172,966,821)**
Comprehensive loss for the year	-	-	-	(15,731,297)	(15,731,297)
Impairment (net of tax)	-	(1,090,958)	-	-	(1,090,958)
Fair value adjustment (net of tax)	-	-	(214,116)	-	(214,115)
Balance at December 31, 2018	**32**	**(13,882,500)**	**434,653**	**(176,555,376)**	**(190,003,191)**

NOTES TO THE FINANCIAL STATEMENTS
for the year ended December 31, 2018

1. NATURE OF BUSINESS AND GENERAL INFORMATION

Tel-One (Private) Limited was incorporated in Zimbabwe in 2000 in terms of the Companies Act [Chapter 24.03] pursuant to the Postal and Telecommunications Act [Chapter 12:05). The Company is one hundred percentage owned by the Government of Zimbabwe. Tel-One is a fixed mobile convergence operator 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 Kwame Nkrumah Avenue
P.O Box CY 331
Harare

2. BASIS OF PREPARATION

2.1 Authorization of Financial Statements

The financial statements were authorized for issue by the TelOne Board of Directors on the 30TH of April 2019.

2.2 Compliance

2.2.1 Compliance with IFRS

The financial statements for the year ended December 31, 2018 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, 2018 have been prepared in accordance with the Companies Act [Chapter 24.03]. Financial statements have been prepared in accordance with accounting policies detailed below.

2.3 Going Concern Basis

The financial statements have been prepared on a going concern basis. Although the Company is in a net liability position of $190 million due to the presence of legacy loans of $384 million on its balance sheet, the Government of Zimbabwe, which provided guarantee on all the loans have passed a decision subsequent to year end to take over the legacy loans as a way of recapitalizing the Company's balance sheet. 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. More disclosure on the functional and presentation currency have been made under note 29.

2.5 Consistency of Presentation and Accounting policies

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

2.6 Basis of Measurement

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

2.8 New and Revised Financial Reporting Standards implemented during the year

New standards, amendments and interpretations effective January 01 2018, which have been adopted and applied

i. IFRS 15 Revenue from Contracts with Customers

This new standard provides a single, principles based five-step model to account for revenue from all contracts with customers. The core principle is revenue recognition should depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity will be entitled to for those goods and services. The five steps in the model are as follows:

- Identify the contract with the customer
- Identify the performance obligations in the contract
- Determine the transaction price
- Allocate the transaction price to the performance obligations in the contract
- Recognize revenue when (or as) the entity satisfies a performance obligation.

Revenue is only recognized when the performance obligation has been satisfied and control of the good or service has been transferred to the customer.
Effective date 01 January 2018

ii. IFRS 9 Financial Instruments

The standard provides guidance on recognition, classification and measurement of financial instruments.

Business model

The standard requires all financial assets except equity instruments and derivatives to be assessed based on a combination of the entity's business model for managing the assets and the instruments' contractual cash flow characteristics. The business model applied is that financial assets are held in order to collect contractual cash flows and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount.

Classification and Measurement

Equity instruments previously classified as held to maturity and measured at amortised cost will now be measured at fair value through other comprehensive income. Trade receivables and financial liabilities are measured at armotised cost.

The standards permits entities to make an irrevocable election to present subsequent changes in the fair values of equity instruments in other comprehensive income with only dividend income presented in the profit and loss.

Impairment

It also replaces the incurred credit losses model with expected credit losses model for recognition of impairment of trade receivables. The expected credit loss model requires an entity to account for expected credit losses and changes in those credit losses at each reporting date to reflect changes in credit risk since initial recognition.
Effective date 01 January 2018

iii. IFRS 7 Financial Instruments Disclosures

The standard provides 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. IAS 39 Financial Instruments: Recognition and Measurement

Amendments to the standard 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.

v. IAS 7 Disclosure Initiatives

Amendments require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both cash and non-cash changes.
Effective date 1 January 2018

vi. IAS 12 Recognition of Deferred Tax Asset for Unrealized Losses

Amendments clarify how an entity should evaluate whether there will be sufficient future taxable profits against which it can utilize the deductible temporary difference
Effective date 1 January 2018

vii. IAS 40 Transfer of Investment Property

The amendments clarify a transfer to or from investment property necessitates an assessment of whether the property meets or has ceased to meet the definition of investment property supported by observable evidence that a change in use has occurred. The amendments further clarify that situations other than the ones listed in IAS 40 may evidence a change in use and that a change in use is possible for properties under construction, that is a change in use is not limited to completed properties,

2.9 New Standards, Amendments and Interpretations issued but not yet effective for financial year beginning 01 January 2018 and not yet adopted

ii. IFRS 16 Leases

It establishes principles for the recognition, measurement, presentation and disclosure of leases with the objective of ensuring that lessees and lessors provide relevant information that faithfully represents lease transactions. The standard provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with IFRS 16's approach to lessor accounting substantially unchanged from its predecessor, IAS 17.
Effective date 01 January 2019

iii. IFRS 17 Insurance Contracts

It requires insurance liabilities to be measured at current fulfillment value and provides a more uniform measurement and presentation approach for all insurance contracts. These requirements are designed to achieve the goal of a consistent, principle-based accounting for insurance contracts. IFRS 17 supersedes IFRS 4 Insurance Contracts. Effective date 1 January 2021.

iv IAS 1 and IAS 8

The amendment relates to the definition of material information. According to the new definition, information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.
Effective date 1 January 2020

v IAS 12 Income Taxes and IFRIC 23

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

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

Effective date 1 January 2019

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. Items of property, plant and equipment are depreciated using the straight-line method, so as to write off the assets over the anticipated useful lives. The depreciation methods, useful lives and residual values of assets are reviewed and adjusted if appropriate at each reporting date with the effect of any changes in accounting estimate accounted for on a prospective basis.

The useful life of the different categories of property, plant and equipment is estimated as follows:

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

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

3.2 Intangible Assets

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

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

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

3.3 Investment Property

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

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

3.4 Non- Current Assets Held for Sale

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

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

Defining a highly probable sale

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

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

3.5 Impairment of Non-Financial Assets

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

3.6 Leases

A lease is an agreement whereby the lessor conveys to the lessee in return for a payment or series of payments in lieu of the right to use an asset for an agreed period of time. The company 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 terms of a 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.

3.7 Inventory

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

3.8 Trade and Other Receivables

Trade and other receivables are measured at their cost less impairment losses. Trade receivables are composed of an extensive customer base, covering residential, government, wholesale, local authorities and parastatals. 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.

3.8.1 Allowance for Expected Credit Losses

The company policy applies to all categories of trade receivables.

TelOne Credit Policy

- The major impact of the application of IFRS 9 is on trade and other receivables. IFRS 9 stipulates three approaches to calculating expected credit losses i.e. the General Approach, the Simplified Approach and the Credit Impaired Approach.
- TelOne adopts the simplified approach as this is the approach specifically designated for trade receivables or contract assets that arise from transactions that are within the scope of IFRS 15 (para 5.1.15).

- TelOne has a large number of trade receivables (most of them with small balances) and it would be difficult to obtain/monitor forward-looking credit information on each customer hence the company has applied the portfolio basis when assessing changes in credit risk of its customers.
- Seven markets within the company's trade receivables portfolio have been identified as Portfolios as follows:
  1. Corporates
  2. Government
  3. Wholesale
  4. Local authorities
  5. Parastatals
  6. Residential
  7. Internet Service Providers (ISP)
- The portfolios have been identified on the basis of their shared characteristics (particularly payment patterns) and also that these markets are already demarcated as such in our books for reporting purposes.
- In calculating the expected credit loss for each portfolio of trade receivables, a default rate for the given portfolio is determined on the basis of the value of trade receivables accounts in default for a particular period divided by the total value of trade receivables. Customers/Accounts that are in default are those who have not paid their accounts for at least a period of twelve months.
- Adjustments are made to the default rate in order to take into account reasonable and supportable forecasts affecting collectability. The forecasts may be external e.g. macro-economic conditions or may be portfolio specific.
- The default rates adjusted in line with forward looking information are then applied on the total value of receivables for the particular market to come up with expected credit losses.

3.9 Financial Instruments

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

3.9.1 Financial Assets

Financial assets are classified on the basis of both

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

The Business Model Test

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

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

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

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

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

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

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

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

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

i. Financial assets are measured at amortized cost if the following conditions are met

a) The financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows and
b) The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding

ii. Financial assets shall be measured at fair value through other comprehensive income if both of the following conditions are met

a) The financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets and
b) The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding

iii. Financial assets shall be measured at fair value through profit or loss unless it is measured at amortized cost or at fair value through other comprehensive income.

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

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

3.9.2 Financial Liabilities

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

3.9.3 Provisions

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

3.10 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 five broad categories of goods and services

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

3.10.1 Voice

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

3.10.2 Broadband

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

3.10.3 Satellite

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

Revenue is recognized using the 5 step model of IFRS 15
Step 1 Identify the contract with the customer
Step 2 Identify the performance obligations in the contract
Step 3 Determine the transaction price
Step 4 Allocate the transaction price to the performance obligations in the contract
Step 5 Recognize revenue when (or as) the entity satisfies a performance obligation.

3.10.4 Other Income

This is income from non-core activities for the business that is it is income from the sale of goods and services that are non-telecommunication. Income from the sale of goods is recognized when the significant risks and rewards of ownership have passed to the buyer. Income from the sale of goods is measured at the fair of consideration received or receivable. Income 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.

3.10.5 Finance Income

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

3.10.6 Deferred Revenue

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

3.11 Taxation

3.11.1 Current tax

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

3.11.2 Deferred tax

Deferred tax is provided using the 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 tax authority.

3.11.3 Value Added Tax (VAT)

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

3.12 Employee Benefits

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

3.12.1 Short Term Employee Benefits

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

3.12.2 Post-employment Benefits

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

3.12.3 Termination Benefits

Employee benefits provided in exchange for the termination of an employee's employment as a result of either an entity's decision to terminate an employee's employment before the normal retirement date or an employee's decision to accept an offer of benefits in exchange for the termination of employment. The company recognizes a liability and expense at the earlier of when the entity can no longer withdraw the offer of those benefits and when the entity recognizes costs for restructuring that is within the scope of IAS 37 Provisions, Contingent Liabilities and Contingent Assets and involves the payment of termination benefits. Termination benefits are measured according to the terms of the termination contract.

3.13 Fair Value Measurement

The company measures financial instruments such as 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.

3.13.1 Fair Value Hierarchy

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

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

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

3.14 Foreign Currency Transactions

The company's presentation currency is the United States Dollar (USD). The functional currency is also the United States Dollar (USD). Other forms of currency are also used in the primary economic environment, these include Bond notes and coins which traded at 1:1 with the United States Dollar (USD). RTGS FCA and Nostro FCA accounts were also in use and the exchange rate remained fixed at 1:1. 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.

3.15 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.

3.16 Current and Non-Current classification

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

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

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

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

A liability is current when

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

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

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

3.17 Events After the Reporting Period

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

4 PROPERTY, PLANT AND EQUIPMENT

	Land and Buildings $	Telecoms Plant $	Stores Plant $	Fixtures and Fittings $	Computer Equipment $	Transport Equipment $	Total Dec 31, 2018 $	Total Dec 31, 2017 $
Opening carrying amount	**62,273,414**	**210,662,216**	**398,613**	**1,382,466**	**731,335**	**3,583,328**	**279,031,373**	**292,395,961**
Gross carrying amount	68,067,535	242,883,198	815,963	2,382,248	1,358,365	7,497,579	323,004,887	315,189,034
Accumulated depreciation and impairment	(5,794,121)	(32,220,982)	(417,350)	(999,782)	(627,030)	(3,914,250)	(43,973,515)	(22,793,073)
Additions	1,046,486	15,498,587	-	158,980	952,215	768,777	18,425,045	13,857,944
Reclassification from Capital Works in Progress	914,004	53,677,664	-	-	685,334	-	55,277,002	626,322
Transfer to Assets Held for Sale	**(131,371)**	**-**	**-**	**-**	**-**	**-**	**(131,371)**	**(280,986)**
Gross carrying amount	(148,000)	-	-	-	-	-	(148,000)	(386,703)
Accumulated depreciation	16,629	-	-	-	-	-	16,629	105,717
Transfer from Assets Held for Sale	**218,002**	**-**	**-**	**-**	**-**	**-**	**218,002**	**-**
Gross carrying amount	386,703	-	-	-	-	-	386,703	-
Depreciation charge for the year	(62,984)	-	-	-	-	-	(62,984)	-
Accumulated depreciation	(105,717)	-	-	-	-	-	(105,717)	-
Carrying amount of disposed items	**(3,400)**	**-**	**-**	**-**	**(7,508)**	**(58,682)**	**(69,590)**	**(86,646)**
Deemed cost	(3,400)	-	-	-	(30,538)	(261,650)	(295,588)	(135,700)
Accumulated depreciation	-	-	-	-	23,030	202,968	225,998	49,054
Depreciation charge for the year	(3,275,082)	(19,796,398)	(78,145)	(321,615)	(380,197)	(1,319,896)	(25,171,334)	(13,581,521)
Impairment charge for the year	(576,133)	(956,020)	-	(135)	-	-	(1,532,288)	(4,617,673)
Closing carrying amount	**61,042,053**	**260,042,069**	**320,468**	**1,219,830**	**1,981,179**	**2,973,527**	**326,109,823**	**279,031,373**
Gross carrying amount	70,263,328	312,059,449	815,963	2,541,228	2,965,376	8,004,706	396,650,049	323,004,887
Accumulated depreciation and impairment	(9,158,291)	(52,017,380)	(495,495)	(1,321,397)	(984,197)	(5,031,179)	(70,540,227)	(43,973,515)

Property, plant and equipment is carried at revalued amounts. The last revaluation was carried out in 2015 by Knight Frank based on fair market values obtaining at date of last revaluation.

5 CAPITAL WORK IN PROGRESS

		Dec 31, 2018 $	Dec 31, 2017 $
Opening carrying amount		**56,207,612**	**14,388,999**
Additions		1,585,372	46,964,489
Reclassification	- Property, Plant and Equipment	(55,277,002)	(626,322)
	- Intangible Assets	(517,671)	(4,519,554)
Closing carrying amount		**1,998,311**	**56,207,612**

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

6 NON CURRENT ASSETS HELD FOR SALE

	Dec 31, 2018 $	Dec 31, 2017 $
Opening carrying amount	**280,986**	**-**
Reclassification to Property, Plant and Equipment	(280,986)	-
Reclassification from Property, Plant and Equipment	131,371	280,986
Closing carrying amount	**131,371**	**280,986**

Items of property, plant and equipment were classified as Non-current assets held for sale in the previous year were reclassified back to property, plant and equipment. The assets previously classified as held for sale included power equipment replaced during the implementation of the National Broadband Project (NBB). These assets were reclassified to Property, Plant and Equipment as they no longer met the requirements of IFRS 5. Assets transfered to Non Current Assets Held for Sale are residential properties in Chiredzi which are occupied by former TelOne employees.

7 INVESTMENT PROPERTY

	Dec 31, 2018 $	Dec 31, 2017 $
Opening carrying amount	**1,055,892**	**1,034,030**
Net replacement value	1,216,708	1,176,876
Accumulated depreciation	(160,816)	(142,846)
Additions	-	39,832
Depreciation charge for the year	(17,970)	(17,970)
Closing carrying amount	**1,037,922**	**1,055,892**
Net replacement value	1,216,708	1,216,708
Accumulated depreciation	(178,786)	(160,816)

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

The fair value of Memorial Building was determined to be $1,583,357 as at 31 December 2018.

7 INVESTMENT PROPERTY (continued)

	Dec 31, 2018 $	Dec 31, 2017 $
Included in the statement of profit or loss and other comprehensive income is the following rental income and expenses:		
Rental income	940,069	1,125,365
Operating expenses that generated rental income	(647,719)	(647,719)
Net rental income	**292,350**	**477,647**
Future rental income		
Up to 1 year	940,069	1,125,365
Over 1 year; less than 5 years	3,760,276	4,501,462
Over 5 years	4,700,345	5,626,827
Total expected receipts	**9,400,690**	**11,253,654**

8 INTANGIBLE ASSETS

	Dec 31, 2018 $	Dec 31, 2017 $
Opening carrying amount	27,744,768	20,628,327
Gross carrying amount	39,282,572	27,707,918
Accumulated Amortisation	(11,537,804)	(7,079,591)
Additions: Billing software	1,970,738	7,055,100
Reclassification	517,671	4,519,554
Amortisation for the year	(3,618,213)	(4,458,214)
Closing carrying amount	**26,614,965**	**27,744,768**
Intangible assets include the assets listed below:		
Indefeasible Right of Use in West Indian Ocean Cable Company	14,460,730	15,292,337
Network support systems	3,773,174	4,168,633
Business support systems	8,381,061	8,283,798
	26,614,965	**27,744,768**

9 FINANCIAL ASSETS

9.1 Financial assets at fair value through other comprehensive income

	ZB Shares	WIOCC Shares	Tetrad Shares	Total
Opening balance 01 January 2017	444,219	550,000	-	**994,219**
Fair value adjustment	309,381	-	-	**309,381**
Closing balance 31 December 2017	**753,600**	**550,000**	**-**	**1,303,600**
IFRS 9 adoption impact	-	879,727	-	**879,727**
Balance 01 January 2018	**753,600**	**1,429,727**	**-**	**2,183,327**
Additions	-	-	11,284	**11,284**
Fair value adjustment	(365,400)	140,837	-	**(224,562)**
Closing balance 31 December 2018	**388,200**	**1,570,565**	**11,284**	**1,970,049**

Financial assets at amortized cost

	Cairns Debentures	Total
Opening balance 01 January 2017	54,615	**54,615**
Fair value adjustment	-	**-**
Closing balance 31 December 2017	**54,615**	**54,615**
IFRS 9 adoption impact	16	16
Balance 01 January 2018	**54,631**	**54,631**
Additions	-	**-**
Fair value adjustment	-	**-**
Closing balance 31 December 2018	**54,631**	**54,631**
Total financial assets as at 31 December 2018		**2,024,680**

Financial instruments include shares in ZB Holding ZSE listed company and shares in the West Indian Ocean Cable Company. Investments in the equity instruments are measured at fair value through other comprehensive income. An election was made in accordance with paragraph 5.7.5 of IFRS 9.

WIOCC shares are measured at fair value using level 3 inputs in accordance with the fair value hierarchy, that is net asset approach is applied. The fair value movements are recorded in other comprehensive income. ZB shares are measured at fair value using level 1 inputs, the market value as per the Zimbabwe Stock Exchange values is applied.

Dividends amounting to USD 17,984.98 were received from ZB Holdings and USD 733,708.79 was received from WIOCC as dividends and rebates.

The company has pledged shares in West Indian Cable Company (WIOCC) as surety for the loan with Telecom Capital Finance Limited of Mauritius. In the event of default TCF is entitled to execute the judgement issued in the Supreme Court of Mauritius.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)
for the year ended December 31, 2018

9.2 Changes in accounting policies from adoption of IFRS 9

Changes in accounting policies resulting from the adoption of IFRS 9 have been applied prospectively in accordance with IAS 8, except as described below.

Comparative periods have not been restated. The differences in carrying amounts of financial assets and financial liabilities resulting from the adoption of IFRS 9 are recognised in retained earnings and reserves as at 01 January 2018. For impairment purposes, the cumulative impairment loss allowance is recognised in the opening retained earnings for all credit exposures. As a result of the above, the information presented for 2017 is not comparable to the information presented for 2018 as it does not reflect the requirements of IFRS 9.

The following assessments have been made on the basis of facts and circumstances that existed at the date of initial application.

The determination of the business model within which a financial asset is held

- The entity has assumed that the credit risk on other receivables has not changed significantly since its initial recognition. At the date of initial application of IFRS 9, it had a high credit risk.

9.2.1 Reconciliation of carrying amounts under IAS 39 and IFRS 9

The following table reconciles the carrying amounts as at 31 December 2017 under IAS 39 to the carrying amounts as at 01 January 2018 under IFRS 9.

IAS 39 measurement catergory	IAS 39 closing balance at December 31, 2017	Reclassified to	Remeasurement	IFRS 9 opening balance January 01, 2018
Investments in debentures-at cost	54,615	Financial assets measured at amortised cost	64	54,679
Trade and Other receivables	154,719,523	Financial assets measured at amortised cost	29,639,578	125,079,945
Investments in WIOCC	550,000	Financial assets measured at fair value through OCI	(879,727)	1,429,711
TOTAL	**155,324,138**		**28,759,787**	**126,564,335**

10 INVENTORIES

	Dec 31, 2018 $	Dec 31, 2017 $
Manufacturing	548,665	569,092
Telecomms	7,212,172	6,434,761
Transport	121,790	598,677
General	1,442,659	1,626,076
	9,325,286	**9,228,606**

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

NOTES TO THE FINANCIAL STATEMENTS (cont'd)
for the year ended December 31, 2018

11 TRADE AND OTHER RECEIVABLES

	Dec 31, 2018 $	Dec 31, 2017 $
Trade receivables	257,776,218	235,930,186
Allowance for credit losses	(122,308,293)	(87,004,690)
Net trade receivables	**135,467,925**	**148,925,496**
Other receivables	2,157,493	1,708,859
Centre for learning receivables	2,298,758	1,868,430
Real estate receivables	1,058,128	1,527,868
IDBZ receivables	2,216,738	2,216,738
Stanbic Escrow	3,127,109	1,000,000
China Exim Escrow	4,343,991	4,341,790
	150,670,142	**161,589,181**

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

11.1 PROVISION FOR IMPAIRMENT ALLOWANCES ON OTHER RECEIVABLES

	Dec 31, 2018 $	Dec 31, 2017 $
Opening balance	87,004,690	66,669,335
Impact of adopting IFRS 9	27,087,533	-
Adjusted opening balance	**114,092,223**	**66,669,335**
Charge for the year	8,216,070	20,335,355
Closing balance	**122,308,293**	**87 004 690**

12 CASH AND CASH EQUIVALENTS

Bank and cash balances	11,034,925	8,275,685
Short term money market investments	1,134,834	1,072,712
	12,169,760	**9,348,396**

13 AUTHORISED SHARE CAPITAL

Authorized share capital		
32 000 ordinary shares of $0.001 each	32	32
Issued and fully paid		
32 000 Ordinary shares of $0.001 each	32	32

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

14. FOREIGN LOANS

LENDER	PROJECT FINANCED	INTEREST RATE	BASE CURRENCY	REDEMPTION COMMENCEMENT DATE	FINAL REDEMPTION DATE	31-Dec-17 US$	31-Dec-18 US$
AFRICAN DEVELOPMENT BANK (ADB 11)	2TELECOMMUNICATIONS 11	7.45%	US	1999	2014	89,967,141	88,646,024
BANQUE NATIONALE DE PARIS (BNP)	WIRELESS LOCAL SYSTEM	7.68%	EURO	1997	2005	35,289,083	33,962,490
EKSPORTFINANS	EXTENSION OF MUTARE	8.30%	NOK	1993	2003	12,618,031	13,381,696
KREDITANSTALT FUR WIEDERAUFBAU (KFW) 1 PORTION 1	HARARE UNIT 5 EXCHANGE	0.75%	EURO	1993	2033	7,696,826	7,525,206
KREDITANSTALT FUR WIEDERAUFBAU (KFW) 11 PORTION 1	HARARE WESTERN SATELITE EXCHANGE	2.00%	EURO	1994	2014	12,595,908	12,442,313
KREDITANSTALT FUR WIEDERAUFBAU (KFW) 111	TELEPRINTERS SOUTHERTON EXCHANGE	4.50%	EURO	1995	2012	10,916,633	10,776,451
KREDITANSTALT FUR WIEDERAUFBAU (KFW) V PORTION 1	RURAL TELECOM	0.75%	EURO	2003	2032	10,796,605	10,541,823
PORTION 11	MATEBELELAND	2.00%	EURO	2003	2022	8,195,493	8,067,983
OVERSEAS ECONOMIC CO-OPERATION FUND (OECF) III	MATEBELELAND DIGITALISATION	3.00%	YEN	2003	2023	146,556,116	155,233,827
OVERSEAS ECONOMIC CO-OPERATION FUND (OECF) IV	DIGITAL TRANS SYSTEMS	2.60%	YEN	2005	2025	4,056,808	4,286,231
OVERSEAS ECONOMIC CO-OPERATION FUND (OECF) V	MASH & MANICALAND DIGITALISATION	2.30%	YEN	2006	2026	24,664,901	26,018,973
EXIMBANK OF JAPAN (SUMITOMO 11)	2ND MAZOE EARTH STATION	6.00%	YEN	1995	2004	9,247,243	9,773,404
TCF (INGBANK 1 & 3)	MUTARE EXTERNAL PLANT & EXPANSION OF CHIKANGA WORKS	4.00%	US	1997 & 2000	2019	4,026,142	3,449,689
Sub total : Legacy loans						**376,626,930**	**384,106,111**
EXPORT-IMPORT (CHINA EXIMBANK)	NATIONAL BROADBAND PROJECT	2.00%	US	2022	2037	79,206,315	94,380,532
Total Foreign Loans						**455,833,245**	**478,486,643**

Draw downs on the China Exim Bank Loan amounted to $14,355,910 during the year (2017: $78,630,649).

Statement of Financial Position classification	31-Dec-17 US$	31-Dec-18 US$
Current liabilities: Foreign loans due within one year	148,517,960	152,681,150
Current liabilities: Loan interest payable (Note 17.4)	194,936,204	205,036,217
Non-Current liabilities: Foreign loans due after one year	112,379,081	120,769,275
Total	**455,833,245**	**478,486,643**

NOTES TO THE FINANCIAL STATEMENTS (cont'd)
for the year ended December 31, 2018

14.1 BORROWING COSTS

	Dec 31, 2018 $	Dec 31, 2017 $
Expensed	2,379,468	1,544,542
Capitalised	230,742	615,473
Total for the year	**2,610,210**	**2,160,015**

15 LOCAL LOANS

		IDBZ	Dec 31, 2018 $	Dec 31, 2017 $
	Opening balance	25,093,028	25,093,028	25,228,717
	Repayments	(1,199,094)	(1,199,094)	(1,615,385)
	Charges capitalized	1,416,486	1,416,486	1,479,696
15.1	**Local loans as at 31 December 2018**	**25,310,419**	**25,310,419**	**25,093,028**
15.2	**Short-term portion**	25,310,419	25,310,419	25,228,717
		25,310,419	**25,310,419**	**25,093,028**

15.3 The IDBZ local loan is in respect of the loan that was 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

15.4 During the year a loan was granted by FBC Bank. The purpose for the loan was to finance the Long-Term Evolution (LTE) Project. The terms of loan are as follows:

Medium Term Loan Facility

Loan Amount	USD 6,200,000
Interest rate	8.5% p.a
Penalty Interest rate	16.50% p.a
Expiry date	31 May 2022
Interest calculation period	Monthly

The loan was secured by Memorial Building and Centre for Learning. This facility has not been drawn down.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)
for the year ended December 31, 2018

16 NET TAX INCOME

		Dec 31, 2018 $	Dec 31, 2017 $
	Net tax income	**(3,901,941)**	**(9,583,946)**
	Current tax expense	4,324,350	692,208
	Deferred tax income	(8,226,291)	(10,276,154)
16.1	**Tax rate reconciliation**		
	Profit before tax	(19,633,238)	(39,456,452)
	Notional tax charge based on profit for the year at 25.75%	(5,055,559)	(10,160,036)
	Net effect of temporary/permanent differences	1,153,618	576,090
		(3,901,941)	**(9,583,946)**
16.2	**Deferred Taxation**		
	Analysis of temporary differences		
	Property, plant and equipment accelerated	63,901,492	77,882,930
	Accruals	(97,249)	(7,900)
	Fair value remeasurement gain	(10,431)	3,094
	Change in policy - IFRS 9	7,631,943	-
	Other gains	-	38,849
	Deferred Income	-	(106,210)
	Provisions	(804,193)	(806,663)
	Unrealised exchange gains/(losses)	3,954,791	(2,892,924)
	Allowance for credit losses	(31,494,386)	(22,403,708)
	Net deferred tax liability	**43,081,967**	**51,707,467**
16.3	**Tax Payable/(Prepaid)**		
	Opening balance	(2,529,392)	(2,694,089)
	Charge for the year	4,324,350	692,208
	Charge for the year - other comprehensive income	10,431	3,094
	Tax paid	(388,037)	(530,604)
	Closing balance	**1,417,353**	**(2,529,392)**

17 TRADE AND OTHER PAYABLES

		Dec 31, 2018 $	Dec 31, 2017 $
17.1	**Trade payables**		
	Local	43,776,622	50,904,751
	Foreign	27,154,939	26,303,761
		70,931,561	**77,208,513**
17.2	**Statutory payables**	**91,524,225**	**74,676,803**
	Postal and Telecommunications Regulatory Authority of Zimbabwe	35,709,611	36,344,850
	Zimbabwe Revenue Authority	13,292,773	2,918,562
	Communication and Allied Industries Pension Fund	42,521,840	35,413,391
17.3	**Total trade and other payables**	**162,455,786**	**151,885,315**
17.4	**Loan interest payable**		
	Loan interest payable relates to accumulated interest on legacy loans disclosed in note 14	**205,036,217**	**194,936,204**
17.5	**Long-term payable**	**6,210,206**	**4,517,258**

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

18 PROVISIONS

		Dec 31, 2018 $	Dec 31, 2017 $
	Leave pay provision	2,964,969	2,979,782
	Bonus provision	158,110	152,891
	Total provisions	**3,123,078**	**3,132,673**
18.1	**Leave pay provision**		
	Opening balance	2,979,782	2,210,166
	Additions	1,245,909	1,111,439
	Payments	(1,260,723)	(341,823)
	Closing balance	**2,964,969**	**2,979,782**
18.2	**Bonus provision**		
	Opening balance	152,891	153,358
	Additions	1,946,386	1,819,729
	Payments	(1,941,167)	(1,820,196)
	Closing balance	**158,110**	**152,891**

NOTES TO THE FINANCIAL STATEMENTS (cont'd)
for the year ended December 31, 2018

19 REVENUE

	Dec 31, 2018 $	Dec 31, 2017 $
Revenue comprises:		
Voice revenue	57,433,726	67,965,008
Data revenue	16,090,038	11,655,446
Internet revenue	43,718,727	31,743,094
V-Sat revenue	1,319,670	1,284,194
Interconnection revenue	3,664,381	3,847,985
Centre for Learning	2,319,210	2,451,083
Accessories sales	612,838	205,761
	125,158,589	**119,152,571**

Revenue is defined as inflows from the principal revenue generating streams.

20 PAYMENTS TO OTHER OPERATORS

	Dec 31, 2018 $	Dec 31, 2017 $
VSAT handling costs	949,371	2,029,872
Telephone foreign handling costs	1,273,094	753,072
Data handling costs	261,922	382,608
Internet handling costs	6,730,960	5,282,860
Local interconnection costs	9,325,290	11,856,441
	18,540,637	**20,304,854**

21 OTHER INCOME

	Dec 31, 2018 $	Dec 31, 2017 $
Insurance (excess) / recoveries	(327)	1,861
Deferred income	-	328,702
Rental income	940,069	1,125,365
Dividends and rebates	751,694	806,298
Net income from sale of processed copper cables	-	247,923
Sundry income	1,392,590	1,494,274
	3,084,026	**4,004,424**

22 OTHER OPERATING EXPENSES

	Dec 31, 2018 $	Dec 31, 2017 $
Stores handling costs	3,746,597	3,371,572
Electricity, rent and rates	7,751,352	7,405,537
Transport costs	3,945,915	2,997,645
Office and admin expenses	5,601,277	5,668,265
Software licences	1,844,088	1,891,361
Marketing expenses	3,250,383	2,580,719
Provision for bad debts	7,289,077	12,300,955
Operational costs	8,169,158	4,087,599
	41,597,847	**40,303,653**

		Dec 31, 2018 $	Dec 31, 2017 $
22.1	**Special excise duty on airtime**	-	**1,270,825**
22.2	**Staff Costs**	**44,745,652**	**43,946,686**
22.3	**ZIMRA Penalties and Interest**	**8,875,509**	-

The company incurred late settlement penalties and interest of $8,875,509 on its balance due to ZIMRA. An appeal has been made to the Government and ZIMRA for a waiver of the interest and penalties in the view of that TelOne's indebtedness to ZIMRA was due to Government delays in settling amounts due to TelOne.

23 FINANCE INCOME AND COSTS

		Dec 31, 2018 $	Dec 31, 2017 $
23.1	**Finance Income**		
	Interest income	**13,624,767**	**1,797,760**

Interest was charged on overdue receivables at 5% interest per annum

		Dec 31, 2018 $	Dec 31, 2017 $
23.2	**Finance Costs**	**(15,208,489)**	**(17,171,147)**
	Interest expense on current loans	(2,845,249)	(2,043,928)
	Interest expense on legacy loans	(12,363,239)	(15,127,219)

24 EXCHANGE GAINS/(LOSSES)

	Dec 31, 2018 $	Dec 31, 2017 $
	1,986,433	**(14,097,649)**
Exchange gain/(loss) foreign on legacy loans balances	1,226,073	(11,793,517)
Exchange gain/(loss) foreign payables balances	760,360	(2,304,133)

25 EMPLOYEE BENEFITS

25.1 Pension Fund

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

	Dec 31, 2018 $	Dec 31, 2017 $
EMPOYEE BENEFITS		
Short term benefits	44,652,013	43,899,325
Post employment benefits	4,520,656	4,572,732
Other long term benefits	200,131	456,513
	49,372,800	**48,928,569**

The Pension Fund is a defined benefit plan. It is being accounted for as if it were a defined contribution plan because sufficient information is not available to use defined benefit accounting in line with the requirements of IAS 19. There is insufficient information to account for proportionate share of the defined benefit obligation, plan assets and post employment costs associated with the plan in the same way as for any other defined benefit plan.

The expense for the period ended 31 December 2018 USD 4,520,656 (2017 USD 4,572,732). Liability as at 31 December 2018 USD 30,829,483 (2017 USD 27,962,591). The contributions have been discounted using a discount rate of 7% per annum.

The rules of the fund require employees to contribute at a rate of 7.5% of pensionable salaries towards retirement benefits whilst the employer contributes 22.5% towards retirement benefits. The rules of the CAIPF require an actuarial valuation to be performed at least every three years but the current practice of CAIPF is to perform annual valuations.

The CAIPF recorded a deficit of USD 37.9 million which is equivalent to a funding level of 82% as at 31 December 2017.

Efforts are underway to convert the Pension Fund to a defined contribution scheme.

25.2 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, 2018 amounted to USD 525,503.07 (2017: USD 518,104)

26 RELATED PARTY TRANSACTIONS

		Dec 31, 2018 $	Dec 31, 2017 $
26.1	**Transactions**		
	Communications and Allied Industries Pension Fund		
	Pension fund contributions	4,520,656	4,572,732
	Net One (Pvt) Ltd - lease of microwave sites		
	Cell phone charges, leased circuits and interconnect income	28,669,649	7,159,244
	Zimpost -rental of property and postage and use of telecom products	302,634	2,704,094
		33,492,939	**14,436,070**
26.2	**Amounts owing from related parties (debtors)**		
	Government of Zimbabwe departments and parastatals		
	Net One (Pvt) Ltd	7,305,469	7,675,391
	Zimpost (Pvt) Ltd	900,975	624,497
		8,206,444	**8,299,888**
26.3	**Amounts owing to related parties (creditors)**		
	Zimpost (Pvt) Ltd	92,778	427,994
	NetOne (Pvt) Ltd	1,690,211	605,913
	Communication and Allied Industries Pension Fund	42,521,840	35,413,391
		44,304,829	**36,447,298**

26.4 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:

	Dec 31, 2018 $	Dec 31, 2017 $
Board of Directors		
Non executive directors' fees	75,090	39,299
Members of Key Management		
Short term employee benefits	766,892	743,006
Post employment benefits	55,978	40,820
Total emoluments	**897,959**	**783,826**

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

27 FINANCIAL RISK MANAGEMENT

27.1 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 as follows:

	Dec 31, 2018 $	Dec 31, 2017 $
Trade receivables	135,467,925	148,925,496
Other receivables	2,157,493	1,708,859
Financial Instruments	1,883,827	1,358,216
Cash and cash equivalents	12,169,760	9,348,396
	151,679,004	**161,340,968**

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 $	Impairment $	Dec 31, 2018 Net $	Dec 31, 2017 Net $
Not past due	5,085,472	-	5,085,472	7,797,963
Past due 0-30 days	4,564,503	-	4,564,503	8,147,457
Past due 31-120 days	10,936,706	-	10,936,706	15,143,855
More than 120 days	114,881,244	-	114,881,244	117,836,221
	135,467,925	**-**	**135,467,925**	**148,925,496**

The allowance account in respect of trade receivables records impairment losses up to the point the company is satisified 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.

27.2 Liquidity risk

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

31-Dec-17	Carrying Amount $	Contractual cash flows $	0-12 Months $	12 Months or more $
Non-derivative financial liabilities				
Trade payables	77,208,513	77,208,513	77,208,513	-
Other payables	74,676,803	74,676,803	74,676,803	-
Loans	260,897,041	260,897,041	148,517,960	112,379,081
	412,782,356	**412,782,356**	**300,403,275**	**112,379,081**

Dec 31,2018	Carrying Amount $	Contractual cash flows $	0-12 Months $	12 Months or more $
Non-derivative financial liabilities				
Trade payables	70,931,561	70,931,561	70,931,561	-
Other payables	91,524,225	91,524,225	91,524,225	-
Loans	455,716,818	455,716,818	148,517,960	307,198,858
	618,172,603	**618,172,603**	**310,973,746**	**307,198,858**

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, 2018.

27.3 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 2018, based on notional amounts:

	Receivables	Payables	Net exposure
2017			
EURO	-	22,248,512	22,248,512
YEN	-	103,030,275	103,030,275
NOK	-	1,757,330	1,757,330
2018			
EURO	-	30,522,278	30,522,278
YEN	-	105,164,323	105,164,323
NOK	-	1,658,921	1,658,921

The following significant exchange rates applied during the year:

	Dec 31, 2018	Dec 31, 2017
EURO	1.14	0.83
YEN	110.41	112.69
NOK	8.69	8.21

27.4 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.

	Equity $	Profit or loss $
Effect		
31-Dec-17		
EURO		
10% appreciation	(2,224,851)	(2,224,851)
10% depreciation	2,224,851	2,224,851
YEN		
10% appreciation	(10,303,027)	(10,303,027)
10% depreciation	10,303,027	10,303,027
NOK		
10% appreciation	(175,733)	(175,733)
10% depreciation	175,733	175,733
31-Dec-18		
EURO		
10% appreciation	(3,052,228)	(3,052,228)
10% depreciation	3,052,228	3,052,228
YEN		
10% appreciation	(10,516,432)	(10,516,432)
10% depreciation	10,516,432	10,516,432
NOK		
10% appreciation	(165,892)	(165,892)
10% depreciation	165,892	165,892

27.5 Interest rate risk

As at 31 December 2018, the interest rate profile of the Company's interest bearing- financial instruments was:

	Dec 31, 2018 $	Dec 31, 2017 $
Fixed rate risk		
Financial assets	1,134,834	1,072,712
Financial liabilities	273,450,426	260,897,041
	274,585,260	**261,969,752**

27.6 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.

28 GOING CONCERN

Loan repayments

The Company defaulted in interest and principal repayments on foreign legacy loans. Outstanding loans are detailed in note 14 and 15.

Net liability position

	Dec 31, 2018 $	Dec 31, 2017 $
Total assets	530,082,260	548,374,422
Total liabilities	(720,085,451)	(692,581,455)
Net liability position	**(190,003,191)**	**(144,207,033)**

The Company has a net liability position of $190 million as at year end. The financial statements have been prepapred on the going concern basis, which remains an appropiate basis due to the following:

- The net liabilty position is mainly due to legacy loans of $384 million. The legacy loans were inherited from the Postal & Telecommunications Corporation on its unbundling in the year 2000. The loans were all guaranteed by the Government of Zimbabwe subsequent to year end, the Government passed a decision to take over these loans in order to capitalise the Company balance sheet. This will see the Company return to a healthy and positive net asset position.

- In 2018, the Government announced plans to partially privatise the Company. This will see the Company access investors who will bring the following benefits:

  - Capital injection to support the Company's expansion and network upgrade plans
  - Continuous access to lines of credit
  - Provide the Company with skills to support digitalisation and innovation strategic initiatives

The above will give TelOne a strong competitive advantage and result in a return to profitability. The Directors of TelOne have therefore concluded that the Company remains a going concern.

The company has just completed the National Backbone Network and Broadband Access Project. The project revamped the network thereby improving service delivery. The iplementation of project brought about positive cashflows which willl improve the net liability position.

29 EVENTS AFTER THE REPORTING PERIOD

Non-adjusting events after the reporting period
The following events took place after the reporting date:

- On the 20th of February 2019, the Reserve Bank of Zimbabwe Governor issued the Monetary Policy Statement. The highlights of the monetary policy included the following:
- The introduction of the RTGS$ as an official currrency and to become part of the multi currency system
- Denomination of RTGS Balances, bond notes and coins collectively as RTGS dollars "RTGS$". Balances held in Nostro FCA, foreign loans and obligations denominated in foreign currency to continue denominated in such currencies
- Use of RTGS$ by all entities (including government) and individuals in Zimbabwe for the purpose of pricing of goods and services, record debts, accounting and settlement of domestic transactions.
- Establishment of an interbank foreign market where the exchange rate is determined by market forces. The interbank rate opened trading at US$1 to RTGS$2.5
- On the 22nd February 2019, Exchange Control Directive RU 28 of 2019 which introduced an interbank market for the RTGS Dollar and the USD was issued
- The monetary policy was followed by the publication of Statutory Instrument 33 of 2019 (SI33) on 22 February 2019. The Statutory Instrument gave effect to the introduction of RTGS$ as legal tender and prescribed that for "accounting purposes" certain assets and liabilities on the effective date would be deemed to be RTGS dollars at a rate of 1:1 to the USD and would become opening RTGS dollars values from that effective date. Thereafter any variance from opening rate would be determined by the prevailing interbank rate on the market. The opening exchange rate between USD and RTGS$ was pegged at USD1:RTGS$2.5 on 22 February 2019.

Determination of the company's functional and presentation currency
During the year, the company was operating in an economy which was experiencing a shortage of foreign currency. Given the context of the operating environment, the company assessed if there had been a change in functional currency. The assessment considered the constrained exchangeability between the USD and other forms of settlement. The company was however unable to comply with the requirements of IAS 21 (The Effects of Changes in Foreign Exchange Rates) due to the need to comply with the requirements of Statutory Instrument 33 of 2019. In light of the above, the company adopted the USD as its functional and presentation currency for the year ended 31 December 2018 and concluded that changes brought by the Statutory Instrument 33 of 2019 be disclosed as a non adjusting subsequent event as per IAS 10 (Events after the Reporting Period).

Implications of the Announcement

- As at 22 February 2019 the functional currency, that is the currency of the primary economic environment in Zimbabwe is no longer the USD but the RTGS Dollar. As at that date assets and liabilities in the Statement of Financial Position will be as shown in the table below

- Assets and liabilities, that were, immediately before the effective date valued and expressed in USD shall be deemed to be values in RTGS Dollars at a rate of 1:1 to the USD

- Foreign loans and obligations denominated in any foreign currency shall continue to be payable in such foreign currency

NOTES TO THE FINANCIAL STATEMENTS (cont'd)
for the year ended December 31, 2018

A sensitivity analysis was carried using the Statement of Financial Position as at 31 December 2018 to show the impact the impact of the pronouncements as illustrated below.

Element	Monetary Assets/Liabilities Nostro FCA USD	Assets/ Liabilities RTGS Dollar	Non-Monetary Assets/Liabilities USD	Total RTGS @ 1:1	Total RTGS @ 1:2.5	Total RTGS @ 1:3.5	Total RTGS @ 1:5
Property and Equipment	-	326,109,823	-	326,109,823	326,109,823	326,109,823	326,109,823
Capital work in Progress	-	1,998,311	-	1,998,311	1,998,311	1,998,311	1,998,311
Investment property	-	1,037,922	-	1,037,922	1,037,922	1,037,922	1,037,922
Intangible assets	-	26,614,965	-	26,614,965	26,614,965	26,614,965	26,614,965
Financial Instruments	-	454,115	1,570,565	2,024,680	4,380,527	5,951,091	8,306,938
Inventories	-	9,325,286	-	9,325,286	9,325,286	9,325,286	9,325,286
Non-current assets held-for-sale	-	131,371	-	131,371	131,371	131,371	131,371
Trade and other receivables	-	150,670,142	-	150,670,142	150,670,142	150,670,142	150,670,142
Cash and Cash equivalent	4,916,922	7,252,839	-	12,169,760	19,545,143	24,462,064	31,837,447
TOTAL ASSETS	**4,916,922**	**523,594,774**	**1,570,565**	**530,082,260**	**539,813,489**	**546,300,976**	**556,032,205**
Share capital	-	32	-	32	32	32	32
Non-distributable reserve	-	(13,882,500)	-	(13,882,500)	(13,882,500)	(13,882,500)	(13,882,500)
Mark to market reserve	-	434,653	-	434,653	434,653	434,653	434,653
Foreign curren cy translation reserve			-	-	(758,046,451)	(1,263,410,752)	(2,021,457,204)
Retained loss	-	(176,555,376)	-	(176,555,376)	(176,555,376)	(176,555,376)	(176,555,376)
Deferred tax liability	-	43,081,967	-	43,081,967	43,081,967	43,081,967	43,081,967
Deferred income	-	-		-	-	-	-
Loans and borrowings	478,486,643	25,310,419	-	503,797,062	1,221,527,026	1,700,013,668	2,417,743,632
Accounts Payables	33,365,145	135,300,847	-	168,665,991	218,713,708	252,078,853	302,126,569
Current tax payable	-	1,417,353	-	1,417,353	1,417,353	1,417,353	1,417,353
Provisions	-	3,123,078	-	3,123,078	3,123,078	3,123,078	3,123,078
TOTAL EQUITY AND LIABILITIES	**511,851,787**	**18,230,473**	**-**	**530,082,260**	**539,813,489**	**546,300,975**	**556,032,205**

Local assets and liabilities were converted from the USD values to RTGS values at a rate of 1USD: 1 RTGS$. Foreign assets and liabilities were converted to RTGS values using three scenarios, first at a rate of 1USD: 2.5 RTGS$, then at a rate of 1USD:RTGS$3.5 and then using a rate of 1USD:5 RTGS$. The difference that would arise on translation would be recognised in a Foreign Currency Translation Reserve.

Key assumptions around the sensitivity analysis

1. The RTGS $ was not an official currency prior to 20 February 2019 and as such the official exchange rate between the pseudo-currency of electronic balances against the USD remained at 1:1 for the full year ended 31 December 2018.
2. The implied exchange rates of 1:3.5 and 1:5 were the most prevalent parallel market rates as at 31 December 2018. The rate of 1:5 being the worst case scenario.
3. 2018/2019 Agriculture season is marred by a looming drought, worsened by the effects of Cyclone Idai. Economic outlook therefore remains in a precarious position with economic growth being forecasted at marginal rates anchored mostly on mining and tourism.
4. Foreign currency shortages continued unabated into 2019 with a negative overall impact on the exchange rate.

ANNEXURES

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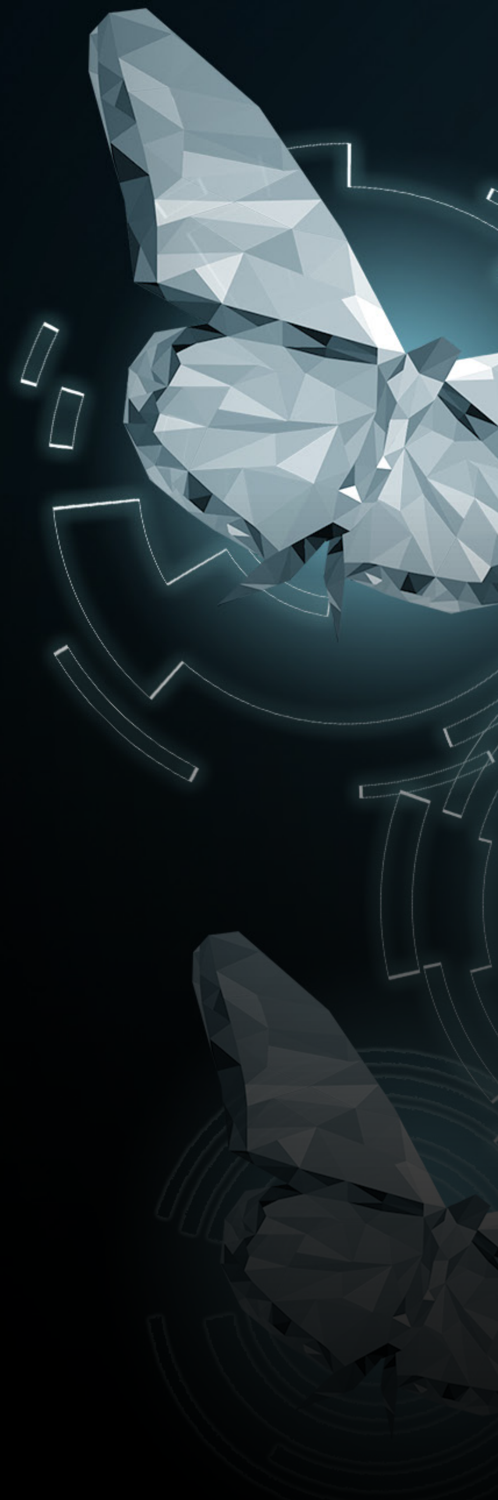
Glossary of Terms

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

ADSL	Asymmetric Digital Subscriber Line
ARPL	Average Revenue Per Line
ARPU	Average Revenue Per User
ASTT	Average Service Turnaround Time
BoP	Beginning Opening Balance
CAPEX	Capital Expenditure
CPE	Customer Premise Equipment
CRM	Customer Relationship Management
EBIT	Earnings Before Interest and Tax
EBITDA	Earnings Before Interest, Tax, Depreciation and Amortisation
EBIT	Earnings Before Tax
FMC	Fixed Mobile Convergence
FMCG	Fast Money Consumer Goods
GIS	Geographical Information System
GISP	Government Internet Service Provider
GoZ	Government of Zimbabwe
GRI	Global Reporting Initiative
GSM	Global System for Mobile
HSPA	High Speed Packet Access
ICT	Information Communication Technology
IP	Internet Protocol
IMS	IP-Multimedia Subsystem
KPI	Key Performance Indicators
KRA	Key Result Area
LTE	Long Term Evolution

MVNO	Mobile Virtual Network Operator
MPLS	Multiprotocol Label Switching
MSAN	Multi-Service Access Node
NOC	Network Operations Center
OPEX	Operating Expenditure
OPGW	Optical Ground Wire
PABX	Private Automated Branch Exchange
RBM	Result Based Management
RFP	Request For Proposal
ROI	Return On Investment
SME	Small to Medium Enterprise
SOHO	Small Office Home Office
TMT	Telecoms, Media and Technology
T&S	Travel and Subsistence
USF	Universal Service Fund
VAS	Valued Added Services
VAT	Value Added Tax
VOBB	Voice Over Broadband
VoIP	Voice Over Internet Protocol
VPN	Virtual Private Network
VSAT	Very Small Aperture Terminal
Wi-Fi	Wireless Fidelity
WiMAX	Worldwide Interoperability for Microwave Access
WIOCC	West Indian Ocean Cable Company
ZIMCODE	National Code on Corporate Governance (Zimbabwe)

DESIGN AND LAYOUT BY VPCG



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