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Ref: SB54

## REPORT OF THE AUDITOR-GENERAL

TO

THE MINISTER OF INFORMATION COMMUNICATION TECHNOLOGY AND

POSTAL AND COURIER SERVICES

AND

THE BOARD OF DIRECTORS

IN RESPECT OF THE FINANCIAL STATEMENTS FOR

TELONE (PRIVATE) LIMITED

FOR THE YEAR ENDED DECEMBER 31, 2021

### Report on the Audit of the Financial Statements

#### Opinion

I have audited the accompanying financial statements of TelOne (Private) Limited set out on pages 7 to 47, which comprise the statement of financial position as at December 31, 2021, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In my opinion, the financial statements present fairly, in all material respects, the financial position of TelOne (Private) Limited as at December 31, 2021, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

**TELONE (PRIVATE) LIMITED**  
**AUDIT REPORT IN RESPECT OF THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2021**

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**Basis for Opinion**

I conducted my audit in accordance with International Standards on Auditing (ISAs) and International Standards of Supreme Audit Institutions (ISSAIs). My responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Financial Statements section of my report. I am independent of the TelOne (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 30 of the financial statements which indicates that the Company had a net liability position of ZWL 18 624 335 819 (2020: ZWL 10 143 177 534) as at December 31, 2021. Additionally, the entity incurred losses amounting to ZWL 8 688 699 227 (2020: ZWL 27 657 559 819) in the 2021 financial year. The entity has significant legacy loans and borrowings amounting to ZWL 56 501 100 593 (2020: ZWL 44 066 757 523) principal plus interest accruals. 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. My opinion is not modified in respect of this matter.

**Key Audit Matters**

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

<b>Key Audit Matter</b>	<b>How my audit addressed the Key Audit Matter</b>
<p><b>Valuation of trade and other receivables. Refer to note 12 of the financial statements.</b></p> <p>The Company disclosed the recoverable amount of trade and other receivables to be ZWL2 487 073 770 as at December 31, 2021 after an allowance for credit losses of ZWL451 626 949.</p> <p>With significant amounts of trade and other receivables overdue for payment and considering current economic environment characterised by liquidity challenges, allowance for credit losses is</p>	<p>My audit procedures to address the risk of material misstatement relating to the valuation of trade receivables included:</p> <ul style="list-style-type: none"> <li>• Obtaining third party confirmations for material outstanding trade receivables.</li> <li>• Performing a detailed debtors’ analysis to verify accuracy and validity of debtor movements and identify irregular debtor balances.</li> </ul>

**TELONE (PRIVATE) LIMITED**  
**AUDIT REPORT IN RESPECT OF THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2021**

<b>Key Audit Matter</b>	<b>How my audit addressed the Key Audit Matter</b>
<p>an area requiring management to make significant judgement. The application of IFRS 9 and the expected credit loss (ECL) model in determining allowance for credit losses involves management judgment.</p> <p>The valuation of trade and other receivables was therefore considered to be a key audit matter.</p>	<ul style="list-style-type: none"> <li>• Assessing the reasonableness of the judgements and assumptions made in estimating the allowance for credit losses.</li> <li>• Evaluating the appropriateness of the presentation and disclosure of trade receivables in the financial statements for compliance with IFRS.</li> </ul> <p>Based on evidence gathered, I found the valuation, presentation and disclosure of trade receivables to be appropriate.</p>
<p><b>Valuation of investment property. Refer to note 7 to the financial statements.</b></p> <p>The Company held Investment Property valued at ZWL 172 213 877 as at December 31, 2021.</p> <p>The useful life and residual values are reviewed annually by management with reference to current, forecast and relevant technical factors. This involves significant management judgement and assumptions. As a result, valuation of investment property was considered a key audit matter.</p>	<p>The audit procedures that I performed to address the risk of material misstatement relating to the valuation of investment property included:</p> <ul style="list-style-type: none"> <li>• Analysing and testing the management assumptions used to determine the revalued amounts,</li> <li>• Evaluating the methodology and assumptions used by the Company when performing the valuation.</li> <li>• Inspecting documentary evidence of the investment property.</li> </ul> <p>Based on evidence gathered, I found the valuation, presentation and disclosure of investment property to be appropriate.</p>
<p><b>Revenue recognition. Refer to note 20 to the financial statements.</b></p> <p>The Company recognised revenue amounting to ZWL 11 720 086 494.</p> <p>The Company has various products that cut across internet, voice and data from which it generates revenue. To support these services, the company uses a complex IT based billing system.</p> <p>The huge volume of transactions from numerous revenue streams and the high level of regulation</p>	<p>The audit procedures to address the risk of material misstatement relating to revenue recognition included:</p> <ul style="list-style-type: none"> <li>• Testing of data input controls with the assistance of IT specialists.</li> <li>• With assistance of IT specialists, I tested controls over data migration from LEAP billing system to SAP accounting system to ensure accuracy, completeness and integrity of revenue.</li> <li>• Billing data analysis to confirm the accuracy and completeness of revenue.</li> </ul>

**TELONE (PRIVATE) LIMITED**  
**AUDIT REPORT IN RESPECT OF THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2021**

<b>Key Audit Matter</b>	<b>How my audit addressed the Key Audit Matter</b>
<p>in the Telecoms industry results in revenue recognition being a complex area. The level of complexity and the presumed risk in revenue recognition were considered to be of most significance to the audit.</p> <p>As a result, revenue recognition was considered a key audit matter.</p>	<ul style="list-style-type: none"> <li>• Testing the validity, accuracy and completeness of revenue in line with the changes to the business conditions and terms.</li> </ul> <p>Based on evidence gathered, I found no material errors in the computation and recognition of revenue.</p>

**Other Information in the Annual Report**

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

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

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

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

The Company's management are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards (IFRSs) and in a manner required by the Companies and Other Business Act [Chapter 24:31], and the Public Finance Management Act [Chapter 22:19], and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

**TELONE (PRIVATE) LIMITED**  
**AUDIT REPORT IN RESPECT OF THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2021**

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

**Auditor's Responsibilities for the Audit of the Financial Statements**

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control;
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors;
- Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of the auditor's report. However, future events or conditions may cause the entity to cease to continue as a going concern;
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

**TELONE (PRIVATE) LIMITED**  
**AUDIT REPORT IN RESPECT OF THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2021**

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

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

**Report on Other Legal and Regulatory Requirements**

In my opinion, the financial statements have, in all material respects, been properly prepared in compliance with the disclosure requirements of the Postal and Telecommunications Act [*Chapter 12:05*], the Public Finance Management Act [*Chapter 22:19*], Companies and Other Business Entities Act [*Chapter 24:31*] and other relevant Statutory Instruments.

June 15, 2022.

  
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**M. CHIRI,**  
**AUDITOR – GENERAL.**

TELONE (PRIVATE) LIMITED

STATEMENT OF FINANCIAL POSITION

as at December 31, 2021.

	Note	Inflation adjusted		Historical cost	
		Dec 31, 2021 ZWL	Dec 31, 2020 ZWL	Dec 31, 2021 ZWL	Dec 31, 2020 ZWL
<b>ASSETS</b>					
<b>Non current assets</b>					
Property, plant and equipment	4	48,948,914,775	50,223,449,659	30,459,850,621	31,252,924,492
Capital work in progress	5	174,159,906	139,343,197	136,270,598	86,710,141
Investment property	7	172,213,877	134,716,899	172,213,877	83,831,300
Intangible assets	8	7,179,921,157	2,279,022,165	4,636,094,699	1,418,184,297
Right of use assets	10.1	129,786,562	134,861,377	79,988,533	83,921,205
Investment in ZITCO	9.2	191,405,587	89,377,754	142,141,912	55,617,768
Deferred tax asset	17.2	916,684,199	1,239,322,713	4,243,934,269	771,016,077
Financial assets	9.1	906,740,120	1,012,021,058	906,740,120	629,757,970
		<b>58,619,826,183</b>	<b>55,252,114,822</b>	<b>40,777,234,629</b>	<b>34,381,963,250</b>
<b>Current assets</b>					
Inventories	11	438,675,381	153,973,440	328,081,413	95,791,029
Assets classified as held-for-sale	6	84,935	149,410	46,202	92,975
Trade and other receivables	12	2,487,073,770	2,301,965,160	2,409,164,415	1,432,114,596
Current tax asset	17.3	285,824,871	346,767,919	285,824,871	215,733,673
Security deposits	12.1	288,787,210	349,275,957	288,787,210	217,293,991
Cash and cash equivalents	13	890,143,352	419,204,200	890,143,352	260,798,236
		<b>4,390,589,519</b>	<b>3,571,336,086</b>	<b>4,202,047,463</b>	<b>2,221,824,500</b>
<b>TOTAL ASSETS</b>		<b>63,010,415,702</b>	<b>58,823,450,908</b>	<b>44,979,282,092</b>	<b>36,603,787,750</b>
<b>EQUITY AND LIABILITIES</b>					
<b>Capital and reserves</b>					
Share capital	14	51	51	32	32
Fair value through other comprehensive income		782,436,090	574,895,148	565,312,992	357,772,050
Revaluation Reserve		37,300,074,505	37,300,074,505	23,212,843,298	23,212,843,298
Retained Income		(38,675,712,855)	(54,174,902,787)	(42,402,492,141)	(33,713,792,914)
		<b>(593,202,209)</b>	<b>(16,299,933,083)</b>	<b>(18,624,335,819)</b>	<b>(10,143,177,534)</b>
<b>Non-current liabilities</b>					
Foreign legacy loans	15	45,636,880,753	57,674,850,629	45,636,880,753	35,889,763,925
Foreign long term loans	15	10,864,219,840	13,140,428,712	10,864,219,840	8,176,993,598
Long term payable	18.4	13,032,239	16,219,158	13,032,239	10,090,376
Operating Licence	18.2	2,972,327,416	-	2,972,327,416	-
Contract liabilities	18.5	728,053,512	4,871,487	728,053,512	3,030,683
Lease liability	10.2	81,116,114	130,562,919	81,116,114	81,246,370
		<b>60,295,629,874</b>	<b>70,966,932,905</b>	<b>60,295,629,874</b>	<b>44,161,124,952</b>
<b>Current liabilities</b>					
Trade and other payables	18.1	2,460,702,321	3,768,231,943	2,460,702,321	2,344,318,697
Operating Licence	18.2	183,441,119	-	183,441,119	-
Loan interest payable	18.3	193,046,203	19,522,146	193,046,203	12,145,254
Local loans due within one year	16.1	39,000,000	104,491,846	39,000,000	65,007,195
Contract liabilities	18.5	53,627,129	794,069	53,627,129	494,012
Lease liability	10.2	2,181,012	247,666	2,181,012	154,117
Provisions	19	375,990,253	263,163,416	375,990,253	163,721,057
		<b>3,307,988,037</b>	<b>4,156,451,086</b>	<b>3,307,988,037</b>	<b>2,585,840,332</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>63,010,415,702</b>	<b>58,823,450,908</b>	<b>44,979,282,092</b>	<b>36,603,787,750</b>

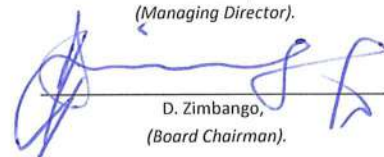
13 JUNE, 2022

  
B. Makanza, CA(Z)  
(Director Finance).

13 JUNE, 2022

  
C. Mtasa,  
(Managing Director).

13 JUNE, 2022

  
D. Zimbango,  
(Board Chairman).

TELONE (PRIVATE) LIMITED

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the year ended December 31, 2021.

	Note	Inflation adjusted		Historical cost	
		Dec 31,2021 ZWL	Dec 31,2020 ZWL	Dec 31,2021 ZWL	Dec 31,2020 ZWL
Revenue	20	11,720,086,494	5,042,284,027	8,895,854,669	3,136,940,855
Payment to other operators	21	(1,919,434,728)	(1,052,490,276)	(1,570,913,354)	(654,782,582)
<b>Net revenue</b>		<b>9,800,651,766</b>	<b>3,989,793,751</b>	<b>7,324,941,315</b>	<b>2,482,158,273</b>
Other income	22	441,924,207	275,016,865	340,960,557	171,095,407
<b>Operating expenses</b>		<b>(7,026,485,575)</b>	<b>(3,256,402,760)</b>	<b>(5,570,129,364)</b>	<b>(2,025,895,961)</b>
Other operating expenses	23	(3,585,605,166)	(1,757,639,842)	(2,786,583,854)	(1,093,475,137)
Staff costs	23.1	(3,440,880,409)	(1,498,762,918)	(2,783,545,510)	(932,420,824)
<b>Earnings before interest, tax and depreciation and amortisation</b>		<b>3,216,090,398</b>	<b>1,008,407,856</b>	<b>2,095,772,508</b>	<b>627,357,719</b>
Depreciation of property, plant and equipment	4	(1,839,816,956)	(53,915,114)	(1,428,316,456)	(33,550,164)
Fair value adjustment investment property	7	37,496,978	90,442,969	88,382,577	56,280,628
Depreciation of right of use assets	10	(5,074,815)	(2,492,431)	(3,932,672)	(1,550,984)
Amortisation of intangibles	8	(148,168,017)	(84,415,006)	(115,421,234)	(52,529,562)
<b>Operating profit</b>		<b>1,260,527,588</b>	<b>958,028,274</b>	<b>636,484,723</b>	<b>596,007,637</b>
Foreign legacy loans expenses	24.3	(10,571,956,418)	(55,830,754,690)	(10,113,798,835)	(34,733,817,923)
Finance income	24.1	383,116,618	227,211,735	307,243,292	141,354,547
Other finance costs	24.2	(416,618,415)	(219,131,700)	(322,853,754)	(136,327,740)
Monetary gain		27,866,863,156	13,907,296	-	-
Net exchange movement on payables and receivables	25	(2,739,024,389)	(606,944,339)	(2,739,024,389)	(377,596,440)
Share of profit( ZITCO)		310,150	-	240,347	-
<b>Profit/ (loss) before tax</b>		<b>15,783,218,290</b>	<b>(55,457,683,424)</b>	<b>(12,231,708,616)</b>	<b>(34,510,379,919)</b>
Net tax income	17.1	(284,028,358)	11,015,147,220	3,543,009,389	6,852,820,100
<b>Profit/ (loss) for the year</b>		<b>15,499,189,932</b>	<b>(44,442,536,204)</b>	<b>(8,688,699,227)</b>	<b>(27,657,559,819)</b>
<b>Other comprehensive income</b>					
Revaluation of property, plant and equipment	4	-	49,552,389,984	-	30,835,339,131
Deferred tax on revaluation gain of property, plant and equipment		-	(12,252,315,479)	-	(7,622,495,833)
Fair value re-measurement gain on FVTOCI	9	275,692,006	744,363,697	275,692,006	463,200,807
Deferred tax on remeasurement gain		(68,151,064)	(184,051,240)	(68,151,064)	(114,503,239)
<b>Total other comprehensive profit</b>		<b>207,540,942</b>	<b>37,860,386,962</b>	<b>207,540,942</b>	<b>23,561,540,866</b>
<b>Total Comprehensive profit/ (loss) for the year</b>		<b>15,706,730,874</b>	<b>(6,582,149,242)</b>	<b>(8,481,158,285)</b>	<b>(4,096,018,953)</b>



TELONE (PRIVATE) LIMITED

STATEMENT OF CHANGES IN EQUITY

for the year ended December 31, 2021.

	Inflation adjusted				Total Equity ZWL
	Share capital	Revaluation reserve	Fair value through other comprehensive income	Retained earnings	
	ZWL	ZWL	ZWL	ZWL	
Balance at January 01, 2020	51	-	14,582,692	(9,764,479,940)	(9,749,897,197)
Change in accounting policy (investment property) Note 7 and 3.3	-	-	-	32,113,357	32,113,357
Restated balances	51	-	14,582,692	(9,732,366,583)	(9,717,783,840)
<b>Total comprehensive income for the year</b>	-	37,300,074,505	560,312,456	(44,442,536,204)	(6,582,149,243)
Profit for the year	-	-	-	(44,442,536,204)	(44,442,536,204)
Revaluation surplus for the year	-	37,300,074,505	-	-	37,300,074,505
Fair value on financial assets classified as FVTOCI	-	-	560,312,456	-	560,312,456
					-
Balance at December 31, 2020	51	37,300,074,505	574,895,148	(54,174,902,787)	(16,299,933,083)
Balance at January 01, 2021	51	37,300,074,505	574,895,148	(54,174,902,787)	(16,299,933,083)
	51	37,300,074,505	574,895,148	(54,174,902,787)	(16,299,933,083)
<b>Total comprehensive income for the year</b>	-	-	207,540,942	15,499,189,932	15,706,730,874
Profit for the year	-	-	-	15,499,189,932	15,499,189,932
Fair value on financial assets classified as FVTOCI	-	-	207,540,942	-	207,540,942
					-
Balance at December 31, 2021	51	37,300,074,505	782,436,090	(38,675,712,855)	(593,202,209)

	Historical cost				Total Equity ZWL
	Share capital	Revaluation reserve	Fair value through other comprehensive income	Retained earnings	
	ZWL	ZWL	ZWL	ZWL	
Balance at January 01, 2020	32	-	9,074,482	(6,076,216,515)	(6,067,142,001)
Change in accounting policy (investment property) Note 7 and 3.3	-	-	-	19,983,420	19,983,420
	32	-	9,074,482	(6,056,233,095)	(6,047,158,581)
<b>Total comprehensive income for the year</b>	-	23,212,843,298	348,697,568	(27,657,559,819)	(4,096,018,953)
Profit for the year	-	-	-	(27,657,559,819)	(27,657,559,819)
Revaluation reserve	-	23,212,843,298	-	-	23,212,843,298
Fair value on financial assets classified as FVTOCI	-	-	348,697,568	-	348,697,568
					-
Balance at December 31, 2020	32	23,212,843,298	357,772,050	(33,713,792,914)	(10,143,177,534)
Balance at January 01, 2021	32	23,212,843,298	357,772,050	(33,713,792,914)	(10,143,177,534)
Change in accounting policy (investment property)	-	-	-	-	-
	32	23,212,843,298	357,772,050	(33,713,792,914)	(10,143,177,534)
<b>Total comprehensive income for the year</b>	-	-	207,540,942	(8,688,699,227)	(8,481,158,285)
Profit for the year	-	-	-	(8,688,699,227)	(8,688,699,227)
Reclassification of foreign loans	-	-	-	-	-
Fair value on financial assets classified as FVTOCI	-	-	207,540,942	-	207,540,942
					-
Balance at December 31, 2021	32	23,212,843,298	565,312,992	(42,402,492,141)	(18,624,335,819)

TELONE (PRIVATE) LIMITED

STATEMENT OF CASH FLOWS

for the year ended December 31, 2021.

	Note	Inflation Adjusted		Historical cost	
		Dec 31,2021 ZWL	Dec 31,2020 ZWL	Dec 31,2021 ZWL	Dec 31,2020 ZWL
<b>Cash flows from operating activities</b>					
Operating profit		<b>1,260,527,588</b>	<b>958,028,274</b>	<b>636,484,723</b>	<b>596,007,637</b>
<b>Adjustments for:</b>					
Depreciation of property, plant and equipment	4	1,839,816,956	53,915,114	1,428,316,456	33,550,164
Fair value adjustment on investment property	7	(37,496,978)	(90,442,969)	(88,382,577)	(56,280,628)
Depreciation of right of use assets	10	5,074,815	2,492,431	3,932,672	1,550,984
Amortisation of intangible assets	8	148,168,016	84,415,006	115,421,234	52,529,562
Provision for staff costs and bad debts		418,695,995	247,994,164	418,695,995	154,283,856
Discount received	22	(48,543,704)	(33,717,286)	(48,543,704)	(20,976,433)
Discount allowed	23	9,515,026	-	7,373,562	-
Gain/(Loss) on disposal of property, plant and equipment		(6,120,544)	51,710	(4,153,045)	32,170
		<b>3,589,637,170</b>	<b>1,222,736,444</b>	<b>2,469,145,316</b>	<b>760,697,312</b>
<b>Changes in working Capital</b>					
Increase in inventories		(284,701,941)	(120,141,522)	(232,290,382)	(74,743,280)
Decrease / (Increase) in receivables		(185,108,610)	(1,813,162,468)	(977,049,819)	(1,128,017,262)
(Decrease) / Increase in payables		(1,071,255,444)	1,550,863,942	352,957,860	964,834,276
Cash generated from operations		<b>2,048,571,175</b>	<b>840,296,396</b>	<b>1,612,762,975</b>	<b>522,771,046</b>
<b>Net cash from operating activities</b>		<b>2,048,571,175</b>	<b>840,296,396</b>	<b>1,612,762,975</b>	<b>522,771,046</b>
<b>Cash flows from investing activities</b>					
Dividends received from equity instruments designated at FVTOCI	22	728,539	8,553,147	728,539	5,321,143
Finance income received	24	3,530,026	14,200,879	2,659,743	8,834,750
Purchase of property, plant and equipment	4	(684,638,762)	(203,357,778)	(549,616,881)	(126,544,977)
Purchase of capital works in progress equipment	5	(154,119,350)	(137,520,795)	(135,240,209)	(85,576,100)
Investment in joint operation	9.2	(101,717,683)	(83,777,379)	(86,283,797)	(52,132,781)
Proceeds from disposal of assets and redundant material	22	35,591,655	5,975,394	30,262,578	3,717,454
Intangible asset development expenditure	8	(90,945,287)	(39,027,238)	(86,264,617)	(24,285,774)
<b>Net cash utilised in investing activities</b>		<b>(991,570,862)</b>	<b>(434,953,770)</b>	<b>(823,754,644)</b>	<b>(270,666,285)</b>
<b>Cash flows from financing activities</b>					
Finance costs paid		(159,908,485)	(178,899,148)	(131,759,978)	(111,297,984)
Principal lease payments		(2,068,169)	(1,036,097)	(1,602,704)	(644,584)
Repayment of local borrowings	16	(37,312,024)	(50,522,163)	(26,300,533)	(31,431,200)
<b>Net cash inflow/(outflow) from financing activities</b>		<b>(199,288,678)</b>	<b>(230,457,408)</b>	<b>(159,663,215)</b>	<b>(143,373,768)</b>
Inflation effects on cash and cash equivalents		(386,772,483)	(112,222)	-	-
<b>Net increase in cash and cash equivalents</b>		<b>857,711,635</b>	<b>174,885,218</b>	<b>629,345,116</b>	<b>108,730,993</b>
Cash and cash equivalents at beginning of the year		<b>419,204,200</b>	<b>244,431,204</b>	<b>260,798,236</b>	<b>152,067,243</b>
<b>Cash and cash equivalents at end of year</b>	<b>13</b>	<b>890,143,352</b>	<b>419,204,200</b>	<b>890,143,352</b>	<b>260,798,236</b>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2021

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**1 NATURE OF BUSINESS AND GENERAL INFORMATION**

TelOne (Private) Limited was incorporated in Zimbabwe in 2000 in terms of the Companies and Other Business Act [Chapter 24:31] pursuant to the Postal and Telecommunications Act [Chapter 12:05]. The Company is wholly owned by the Government of Zimbabwe. TelOne is a fixed mobile convergence operator whose principal activities are that of provision of telecommunication services and multimedia services. The Company is registered at the Registrar of Companies under registration number 4658/2000.

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

**2 BASIS OF PREPARATION**

**2.1 Authorisation of Financial Statements**

The financial statements are authorised for issue by the TelOne Board of Directors and prepared under the supervision of Mr B. Makanza, CA (Z) and have been audited in terms of Section 29(1) of the Companies and Other Business Entities Act [Chapter 24:31].

**2.2 Statement of Compliance**

**2.2.1 Compliance with IFRS**

The Company's financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) and interpretations issued by the IFRS Interpretations Committee ("IFRS IC") as issued by the International Accounting Standards Board ("IASB").

The Company's financial statements for the 2020 reporting period were qualified based on the residual effects of IAS 21, on the 2019 opening balances. Management made an assessment on the impact of 2019 foreign currency denominated opening balances on its current year financial statements and believe that there are no misstatements as a result of opening balances in the current year as supported by the following facts and circumstances:

All cash and cash equivalents which formed part of 2019 opening balances was utilised in paying foreign payables and did not form part of 2021 opening balances and not included in the current year financial statements. The foreign currency denominated financial assets which formed part of 2019 opening balances are carried at fair value at each reporting period in compliance with IFRS9 and translation done at closing rate in compliance with IAS 21. The foreign currency denominated loans and loans which formed part of 2019 opening balances are translated at closing rate at the end of each reporting period in compliance with IAS 21 and therefore correctly reflect the ZW\$ denominated values. The company's sole source of foreign currency has been the Reserve Bank of Zimbabwe Auction market which provided foreign currency at the bid rate and disbursed at the bid rate.

**2.2.2 Compliance with Legal and Regulatory requirements**

The financial statements have been prepared in compliance with the Zimbabwe Companies and Other Business Entities Act [Chapter 24:31].

**2.3 Going Concern Basis**

The Company is in a net liability position of ZWL 18,624,335,819 on 2021 historical financial position. The net liability position is mainly due to the presence of foreign legacy loans which are carried on the Company balance sheet amounting to ZWL 45.7 billion. The Directors have satisfied themselves that the Company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they are satisfied that it is appropriate to adopt the going concern basis in preparing the financial statements.

In the going concern assessment the Directors concluded that that the impact of the COVID-19 pandemic will not have a material adverse effect on the Company's financial condition or liquidity and therefore continues to adopt a going concern assumption as the basis for preparing its annual financial statements.

Further disclosures on appropriateness of the Going Concern basis are made in note 30 to these financial statements.

**2.4 Foreign currency translation**

**Functional and presentation currency**

Items included in the financial statements of the Company are measured using the currency of the primary economic environment in which the Company operates ("the functional currency"). The financial statements are presented in Zimbabwe dollar ("ZWL"), which is the Company's functional and presentation currency. Assessment of functional currency was done and management concluded that the Zimbabwe Dollars (ZWL) is the functional currency of the Company.

**Transactions and balances**

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuations where items are re-measured. Foreign exchange gains or losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the statement of profit or loss. Foreign exchange translation gains or losses are presented on the face of the statement of comprehensive income.

**2.5 Consistency of Presentation and Accounting policies**

The principal accounting policies applied in the preparation of the Company's annual financial statements are in terms of IFRS and have been applied consistently in all material respects with those of the previous annual financial statements.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2021

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The financial statements of the Company comprise the following:

- the statement of financial position as at 31 December 2021;
- the statement of profit or loss and other comprehensive income for the year then ended;
- the statement of cash flows for the year ended 31 December 2021;
- the statement of changes in equity for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies.

**2.6 Basis of Measurement**

The Company's annual financial statements have been prepared based on the statutory records that are maintained under the historical cost basis and adjusted for the effects of applying IAS29 and are presented in Zimbabwean Dollars (ZWL), except for certain financial instruments that are carried at fair value, investment property measured at fair value and property, plant and equipment that are carried under the revaluation model.

**2.7 Use of Estimates and Judgments**

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

Estimates and judgements were applied on the following;

- i. Useful life of assets, depreciation rates and residual values.
- ii. Consumer price index was judged to be the most appropriate index to be applied for inflation accounting.
- iii. Allowance for credit losses.
- iv. Discount rate to be applied for IFRS 16 and IAS 40 purposes.
- v. Revaluation of property, plant and equipment

**2.7.1 Revaluation process for items of property plant and equipment**

Property, plant and equipment was last revalued on 31 December 2020 by Knight Frank, an accredited independent valuer through a desk top assessment undertaken in accordance with the current edition of the Royal Institute of Chartered Surveyors (RICS) Valuation - Professional Standards 2017 (the "Red Book") which incorporates International Valuation Standards.

TELONE (PRIVATE) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2021

All other classes of plant and equipment were valued at market values. However, telecommunication equipment has been assessed on the gross replacement cost and the depreciated replacement cost bases because the assets are not commonly traded on the market such that there would be no market evidence to rely on.

**2.8 Financial Reporting in Hyperinflationary Economies**

Hyperinflation On 11 October 2019, the Public Accountants and Auditors Board made a pronouncement on the application of International Accounting Standard IAS 29 ‘‘ Financial reporting in Hyperinflationary economies’’ in Zimbabwe. The pronouncement requires that companies that prepare and present financial statements for financial periods on or after 1 July 2019 to apply requirements of IAS 29 ‘Financial reporting in Hyperinflationary economies’. The Company adopted and applied the requirements of IAS 29 with effect from 1 July 2019 and comparatives were also restated accordingly. Monetary items, assets and liabilities; and non-monetary assets and liabilities carried at revalued amounts have not been restated as they are presented at the measuring unit current at the end of the reporting period. A net monetary loss was recognized in the statement of profit or loss.

Comparative amounts have been restated to reflect the change in the reporting period. Judgment has been used in the various assumptions used such as the consumer price indices for the various years due to limitation of data available.

The following general price indices and conversion factors were applied:

Date	General Price Index	Conversion factor
31 December 2021	3977.5	1.00
31 December 2020	2474.51	1.607
31 December 2019	551.60	7.211
Average CPI for 12 months to:		
31 December 2021	3135.23	
31 December 2020	1579.09	
31 December 2019	64.01	

**2.9 New and Revised Financial Reporting Standards implemented during the year**  
**New standards, amendments and interpretations effective January 01 2021, which have been adopted.**

**i. IAS 8 — Accounting Policies, Changes in Accounting Estimates and Errors- Definition of Material**

In October 2018, the IASB issued amendments to IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors to align the definition of ‘material’ across the standards and to clarify certain aspects of the definition. The new definition states that, ‘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 Company.’ The amendments to the definition of material is not expected to have a significant impact on the Company’s financial statements.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2021

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**ii. Amendments to IAS 1 and IFRS Practice Statement 2**

Amendments to IAS 1 require that a Company discloses its material accounting policies instead of significant accounting policies. Further amendments explain how a Company can identify a material accounting policy. The developed guidance and examples to explain and demonstrate the application of the four-step materiality process.

A four step materiality process

Step 1 – Identify information that has the potential to be material

Step 2 – Assess whether the information identified in Step 1 is in fact material by considering quantitative (size) and qualitative (nature) factors.

Step 3 – Organise the information within the draft financial statements in a manner that supports clear and concise communication.

Step 4 – Assess the information provided in the draft financial statements as a whole by considering whether it is material both individually and in combination with other information.

**iii. Amendments to IFRS 16 Covid-19-Related Rent Concessions**

Amendments to IFRS 16 Leases provides lessees with an exemption from assessing whether a COVID-19-related rent concession is a lease modification.

**2.10 New Standards, Amendments and Interpretations issued but not yet effective for financial year beginning 01 January 2021 and not yet adopted**

**i. Property, Plant and Equipment: Proceeds before Intended Use – Amendments to IAS 16**

In May 2020, the IASB issued Property, Plant and Equipment — Proceeds before Intended Use, which prohibits entities deducting from the cost of an item of property, plant and equipment, any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, a Company recognises the proceeds from selling such items, and the costs of producing those items, in profit or loss.

The amendment is effective for annual reporting periods beginning on or after 1 January 2022 and must be applied retrospectively to items of property, plant and equipment.

**ii. Accounting Policies, Changes in Accounting Policies, Changes in Accounting Estimates and Errors: Definition of Accounting Estimates – Amendments to IAS 8**

In February 2021, the IASB issued Definition of Accounting Estimates. The amendments replace the definition of a change in accounting estimates with a definition of accounting estimates. Under the new definition, accounting estimates are monetary amounts in financial statements that are subject to measurement uncertainty. Entities develop accounting estimates if accounting policies require items in financial statements to be measured in a way that involves measurement uncertainty. The amendments clarify that a change in accounting estimate that results from new information or new developments is not the correction of an error.

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2021

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The amendment is effective for annual reporting periods beginning on or after 1 January 2023 and must be applied retrospectively to items of property, plant and equipment.

**iii. Onerous Contracts – Costs of Fulfilling a Contract – Amendments to IAS 37**

On 14 May 2020, the IASB issued amendments to IAS 37 to specify which costs a Company needs to include when assessing whether a contract is onerous or loss-making. The amendments apply a “directly related cost approach”. The costs that relate directly to a contract to provide goods or services include both incremental costs and an allocation of costs directly related to contract activities. General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract.

The amendments are effective for annual reporting periods beginning on or after 1 January 2022.

**iv. Amendments to IAS 1: Classification of Liabilities as Current or Non-current – Deferral of Effective Date**

In July 2020, the IASB issued an amendment that defers the effective date of the January 2020 amendments by one year.

In January 2020 the IASB issued an amendment to paragraphs 69 to 76 of IAS 1 to specify the requirements for classifying liabilities as current or non-current. The amendments clarify:

- What is meant by a right to defer settlement
- That a right to defer must exist at the end of the reporting period
- That classification is unaffected by the likelihood that a Company will exercise its deferral right
- That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification.

The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and must be applied retrospectively.

**v. Amendments to IAS 12: Deferred Tax related to Assets and Liabilities arising from a Single Transaction**

On 7 May 2021, the IASB issued an amendment that clarify that the initial recognition exemption does not apply to transactions in equal amounts of deductible and taxable temporary differences arising on initial recognition.

The amendments are effective for annual reporting periods beginning on or after 1 January 2023.



NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2021

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**3 ACCOUNTING POLICIES**

The accounting policies applied in the preparation of these financial statements are consistent with those applied in the financial statements for the year ended December 31, 2020.

**3.1 Property, Plant and Equipment**

**3.1.1 Recognition and measurement**

An item of property, plant and equipment is initially recorded at cost and this includes all costs necessary to bring the asset to working condition for its intended use. Cost includes original purchase price, cost of site preparation, delivery and handling, installation, related professional fees for architects and engineers and the estimated cost of dismantling and removing the asset and restoring the site.

Subsequent to initial recognition, IAS 16 provides entities with the option of accounting for its property, plant and equipment using the cost model or the revaluation model. Using the cost model, the asset is carried at cost less accumulated depreciation and impairment whereas using the revaluation model, the asset is carried at a revalued amount, being its fair value at the date of revaluation less subsequent depreciation and impairment, provided that fair value can be measured reliably.

When an item of property, plant and equipment is revalued, the carrying amount of that asset is adjusted to the revalued amount. At the date of the revaluation, the accumulated depreciation of the asset is eliminated against its gross carrying amount. The revaluation model is a fair value based model within the scope of IFRS 13. IAS 16, paragraph 34 still allows a Company to continue with the policy of determining revalued amounts at regular intervals even after adoption of IFRS 13.

The Company is only required to apply IFRS 13 if the fair value of a revalued asset differs materially from its carrying amount. The Company's items of property, plant and equipment is carried at a revalued amount less accumulated depreciation and accumulated impairment losses.

The gain or loss on disposal of an item of property, plant and equipment is determined by comparing the proceeds from disposal with the carrying amount of the item of property, plant and equipment, and is recognized in the statement of profit or loss and other comprehensive income

**3.1.2 Depreciation**

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:

TELONE (PRIVATE) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2021

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<b>Asset class</b>	<b>Years</b>
Buildings	20-40
Telecommunications plant	5-20
Stores plant	5-10
Fixtures and fittings	5-20
Transport equipment	3-10
Computer equipment	3-5

Subsequent costs are recognized in the statement of profit or loss and other comprehensive income.

The cost of replacing a component of an item of property and equipment is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Company and its cost can be measured reliably. The carrying amount of the replaced part is derecognized. The costs of the day to day servicing of property, plant and equipment.

### 3.1.3 **Derecognition**

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

### 3.2 **Intangible Assets**

An intangible asset is recognized only when its cost can be measured reliably and it is probable that the expected future economic benefits that are attributable to it will flow to the Company. Intangible assets acquired separately are measured on initial recognition at cost. Subsequently they are carried at cost less accumulated amortization and impairment losses.

The useful lives of intangible assets are assessed as either finite or infinite. The Company only has intangible assets with finite useful lives. These assets are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortization expense on intangible assets with finite lives is recognized in the statement of profit or loss and other comprehensive income from the date it is available for use.

The Company's 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, Synchronous Transport

TELONE (PRIVATE) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2021

Module (STMs) and POTRAZ Unified Licence. Computer software development costs recognized as assets are amortized over their estimated useful lives as follows:

<b>Intangible Asset</b>	<b>Years</b>
SAP software	5
Leap billing software	5
Indefeasible Rights of Use	20
Unified operating license	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.

Investment property is initially measured at cost. The cost includes purchase price and any directly related cost such as (professional or legal charges, property transfer taxes & any other transaction costs). Subsequent to initial recognition, the Company measures investment property at fair value.

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)

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2021

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- 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 Company's control prevent this)

When a sale does not take place within a year because of circumstances beyond an Company'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

With effect from 1 January 2019, IFRS 16 replaced IAS 17 and the core principle of IFRS 16 is that the lessee and lessor are required to recognize all rights and obligations arising from leasing arrangements on the statement of financial position. IFRS 16 eliminates the classification of leases for lessees as either operating or finance leases and introduces a single lessee accounting model where a right of use asset together with a lease liability for future payments is recognized for all leases with a term of more than 12 months, unless the underlying asset is of low value.

#### **TelOne as a lessor**

The Company leases out its investment property consisting of its owned commercial property. All leases are classified as operating leases. Lease income from operating leases is recognized in the statement of profit or loss within 'other income' on a straight line basis over the lease term. Lease receivables are recognized within "other receivables" in the statement of financial position.

#### **TelOne as a lessee**

The Company recognizes a lease liability and a right of use asset on all significant leases. This excludes all leases relating to lower value assets and leases for periods less than 12 months which will be treated as operating leases. Payments made under operating leases are charged to the statement of profit or loss on a straight-line basis over the period of the lease. Payments made under the finance leases are deducted from the lease liability. Right of use assets and lease liabilities are presented on the face of the statement of financial position, and the interest

charged on lease liability is presented under “Interest expense” in the statement of profit or loss.

### 3.7 **Inventory**

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

### 3.8 **Trade and Other Receivables**

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

#### 3.8.1 **Allowance for Expected Credit Losses**

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

##### **TelOne Credit Policy**

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

- TelOne adopted the simplified approach as this is the approach specifically designated for trade receivables or contract assets that arise from transactions that are within the scope of IFRS 15 (para 5.5.15).
- 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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2021

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4. Local authorities
5. State owned Entities
6. Residential
7. Internet Service Providers (ISP)

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

### 3.9 Financial Instruments

A financial instrument is any contract that gives rise to a financial asset of one Company 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:

- i. The business model for managing the financial assets and
- ii. The contractual cash flow characteristics of the financial asset.

##### The Business Model Test

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

- is the objective of the Company'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

## TELONE (PRIVATE) LIMITED

### NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2021

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- 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.

Financial assets are measured at amortized cost if;

- The financial asset is held within a business model whose objective is to hold financial assets 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 outstanding

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

- The financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets 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 outstanding

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.

A Company 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.

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**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 when the following criteria are met

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

- The Company can identify each other's rights regarding the goods or services to be transferred
- The Company can identify the payment terms for the goods or services to be transferred
- The contract has commercial substance
- It is probable that the Company will collect consideration to which it will be entitled in exchange for the goods and services that will be transferred to the customer.
- Revenue is measured at the fair value of the consideration received or receivable.

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

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

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

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



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**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 internet services in the form of broadband services. The Company provides broadband connectivity through Asymmetric Digital Subscriber Line (ADSL), Long-term Evolution (LTE) and Fibre to the Home/Premise (FTTH). These are prepaid services and revenue is recognized when the services have been used or when period of service has expired. The Company provides leased circuit 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

**3.10.3 Satellite**

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

**3.10.4 Other Income**

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

**3.10.5 Finance Income**

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

**3.10.6 Deferred Revenue**

Revenue is deferred when revenue has not yet been earned. The Company has deferred income arising from long term service agreements. Revenue is deferred over the period of service agreement. Revenue is realized as the service is rendered over the period of the agreement.

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For the year ended December 31, 2021

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**3.11 Taxation**

**3.11.1 Current tax**

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

**3.11.2 Deferred tax**

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

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

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

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

**3.11.3 Value Added Tax (VAT)**

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

**3.12 Employee Benefits**

Employee benefits are all forms of consideration given by the

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2021

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Company 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 Company 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 of 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 the reporting period the Company 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 a Company'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 Company can no longer withdraw the offer of those benefits and when the Company 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 financial assets at fair value through other comprehensive income at each balance sheet date. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place in the principal market for the asset or liability or in the absence of a principal market in the most advantageous market for the asset or liability. The principal or most advantageous market must be accessible to the Company. The fair value of the asset or liability is measured using the assumptions that market participants would use when pricing the asset or liability assuming that market participants act in their economic best interest. A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in

**TELONE (PRIVATE) LIMITED**

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**For the year ended December 31, 2021**

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.

**3.14 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. The valuation of investment property and property plant and equipment involves the use of unobservable market inputs.

The following table analyses within the fair value hierarchy the Company's assets and liabilities (by class) measured at fair value at 31 December 2021. All fair value measurements disclosed are recurring fair value measurements.

ASSET	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
	ZWL	ZWL	ZWL	ZWL
<b>Financial assets (FVPL)</b>	-			
ZB shares	75,674,141	-	-	75,674,141
<b>Financial assets (FVOCI)</b>				
WIOCC shares	-	829,764,551	-	829,764,551
Tetrad shares	-	-	11,284	11,284
Hwange debentures	-	-	1,290,144	1,290,144
<b>Investment property</b>	-	-	172,213,877	172,213,877
<b>TOTAL</b>	<b>75,674,141</b>	<b>829,764,551</b>	<b>173,515,305</b>	<b>1,078,953,997</b>

**3.15 Foreign Currency Transactions.**

The Company's presentation currency is the Zimbabwe Dollar (ZWL). The functional currency is also the Zimbabwe Dollar (ZWL). Foreign currency transactions are recorded on initial recognition in the functional currency by applying to the foreign currency amount the spot exchange rate between the functional currency and the foreign currency at the date of the transaction period. At each reporting date monetary items are translated using the closing rate.

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NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2021

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Non-monetary items that are measured in terms of historical cost in a foreign currency shall be translated using the exchange rate at the date of the transaction. Non-monetary items measured at fair value shall be translated using the exchange rates at the date when the fair value was measured.

**3.16 Government Grants**

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

**3.17 Current and Non-Current classification**

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

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

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

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

A liability is current when:

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

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

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

**3.18 Events after the Reporting Period**

Events after the reporting period favorable and unfavorable that occur between the end of the reporting period and the date when the financial statements are authorized for issue. They can

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For the year ended December 31, 2021

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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. A Company 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.

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	Inflation adjusted							Total Dec 31, 2020 ZWL
	Land and Buildings ZWL	Telecoms Plant ZWL	Stores Plant ZWL	Fixtures and Fittings ZWL	Computer Equipment ZWL	Transport Equipment ZWL	Total Dec 31, 2021 ZWL	
<b>4.1 Property, plant and equipment</b>								
Opening carrying amount	9,385,406,154	38,260,754,533	57,144,902	450,128,463	1,144,826,710	925,188,897	50,223,449,559	513,140,502
Gross carrying amount	9,412,844,581	38,416,018,635	58,187,046	453,679,647	1,153,301,831	939,055,467	50,433,087,207	668,955,632
Accumulated depreciation	(27,438,427)	(155,264,102)	(1,042,144)	(3,551,184)	(8,475,121)	(13,866,570)	(209,637,548)	(155,815,130)
Additions	71,995,122	359,544,809	-	19,541,966	90,455,249	143,101,616	684,638,762	203,357,778
Revaluation surplus	-	-	-	-	-	-	-	49,552,389,984
Reclassification from Capital Works in Progress (Note 5)	-	(119,302,641)	-	-	-	-	(119,302,641)	8,502,137
Carrying amount of disposed items Deemed cost	-	-	-	-	(10,566)	(43,483)	(54,049)	(25,629)
Accumulated depreciation	-	-	-	-	(19,687)	(408,039)	(427,726)	(118,324)
					9,121	364,556	373,677	92,695
Depreciation charge for the year	(199,901,253)	(1,151,141,970)	(1,699,695)	(52,239,006)	(185,916,211)	(248,918,821)	(1,839,816,956)	(53,915,114)
<b>Closing carrying amount</b>	<b>9,257,500,023</b>	<b>37,349,854,731</b>	<b>55,445,207</b>	<b>417,431,423</b>	<b>1,049,355,182</b>	<b>819,328,209</b>	<b>48,948,914,775</b>	<b>50,223,449,659</b>
Gross carrying amount	9,484,839,703	38,656,260,803	58,187,046	473,221,613	1,243,737,393	1,081,749,044	50,997,995,602	50,433,087,207
Accumulated depreciation	(227,339,680)	(1,306,406,072)	(2,741,839)	(55,790,190)	(194,382,211)	(262,420,835)	(2,049,080,827)	(209,637,548)

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for the year ended December 31, 2021.

	Historical cost							Total Dec 31, 2021 ZWL	Total Dec 31, 2020 ZWL
	Land and Buildings ZWL	Telecoms Plant ZWL	Stores Plant ZWL	Fixtures and Fittings ZWL	Computer Equipment ZWL	Transport Equipment ZWL			
<b>Opening carrying amount</b>	5,840,327,414	23,808,808,048	35,559,989	280,104,831	712,399,944	575,724,267	31,252,924,493	319,315,807	
Gross carrying amount	5,857,401,731	23,905,425,410	36,208,492	282,314,653	717,673,821	584,353,122	31,383,377,229	416,276,062	
Accumulated depreciation	(17,074,317)	(96,617,362)	(648,503)	(2,209,822)	(5,273,877)	(8,628,855)	(130,452,736)	(96,960,255)	
Additions	56,503,432	274,921,179	-	15,814,691	79,817,762	122,559,817	549,616,881	126,544,977	
Revaluation surplus	-	-	-	-	-	-	-	30,835,339,131	
Reclassification from Capital Works in Progress (Note 5)	-	85,679,752	-	-	-	-	85,679,752	5,290,689	
Carrying amount of disposed items	-	-	-	-	(10,566)	(43,483)	(54,049)	(15,948)	
Deemed cost	-	-	-	-	(19,687)	(408,039)	(427,726)	(73,630)	
Accumulated depreciation	-	-	-	-	9,121	364,556	373,677	57,682	
Depreciation charge for the year	(154,911,227)	(892,064,519)	(1,773,905)	(42,596,289)	(144,073,676)	(192,896,840)	(1,428,316,456)	(33,550,164)	
<b>Closing carrying amount</b>	5,741,919,619	23,277,344,460	33,786,084	253,323,233	648,133,464	505,343,761	30,459,850,621	31,252,924,492	
Gross carrying amount	5,913,905,163	24,266,026,341	36,208,492	298,129,344	797,471,897	706,504,900	32,018,246,138	31,383,377,229	
Accumulated depreciation	(171,985,544)	(988,681,881)	(2,422,408)	(44,806,111)	(149,338,433)	(201,161,139)	(1,558,395,517)	(130,452,737)	



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for the year ended December 31 2021.

	Inflation adjusted		Historical cost	
	Dec 31,2021 ZWL	Dec 31,2020 ZWL	Dec 31,2021 ZWL	Dec 31,2020 ZWL
<b>5 CAPITAL WORK IN PROGRESS</b>				
Opening carrying amount	139,343,197	10,324,539	86,710,141	6,424,730
Additions	154,119,350	137,520,795	135,240,209	85,576,100
Reclassification- Property,Plant and Equipment	(119,302,641)	(8,502,137)	(85,679,752)	(5,290,689)
<b>Closing carrying amount</b>	<b>174,159,906</b>	<b>139,343,197</b>	<b>136,270,598</b>	<b>86,710,141</b>

TelOne completed projects to modernise the telecommunications network which have been transferred to Property, Plant and Equipment.

<b>6 ASSETS CLASSIFIED AS HELD FOR SALE</b>				
Opening carrying amount	149,410	207,497	92,975	129,121
Disposals	(64,475)	(58,087)	(46,773)	(36,146)
<b>Closing carrying amount</b>	<b>84,935</b>	<b>149,410</b>	<b>46,202</b>	<b>92,975</b>

Assets transferred to Non Current Assets Held for Sale constitute of residential properties in Chiredzi which are occupied by former TelOne employees. The standard requires that the sale of the assets should be completed within a year. However, circumstances beyond the entity's control have made the sale to go beyond a year. The entity remains committed to its plan to sell the assets. Agreements of sale have since been signed with most of the tenants. The company's legal department has been engaging the tenants and their legal representatives to conclude the agreements. The houses will remain classified as non-current held for sale as there are reasonable prospects the houses will be sold during the year 2022. The houses were recognised at the lower of carrying amount which in line with IFRS 5 which requires measurement at the lower of carrying amount and fair value less costs to sell.

<b>7 INVESTMENT PROPERTY</b>				
Opening balance	134,716,899	44,273,930	83,831,300	27,550,672
Fair value adjustment	37,496,978	90,442,969	88,382,577	56,280,628
<b>Closing balance</b>	<b>172,213,877</b>	<b>134,716,899</b>	<b>172,213,877</b>	<b>83,831,300</b>

The investment property portfolio comprises of 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 investment property value was based on valuations done by an independent valuer, Knight Frank. The investment property was valued in US\$ terms and the value converted at RBZ market rates as at 31 December 2021. The valuation was subject to TelOne management assessment to ensure accuracy and reliability of the values.

**ASSUMPTIONS APPLIED IN 2021:**

TelOne management adopted the US\$ value of the property and converted it to ZW\$ using the interbank rate at 31 December 2021. There were no changes in property values in US\$ terms due to the following:

- There were no changes made to the property since valuation exercise except normal maintenance.
- No significant changes to the market values of properties in US\$ terms since the date of valuation.

**Operating leases**

Included in the statement of profit or loss and other comprehensive income is the following rental income and expenses:

Rental income	68,549,548	20,160,733	53,127,972	12,545,571
Operating expenses that generated rental income	(3,106,403)	(1,289,496)	(2,407,272)	(802,424)
<b>Net rental income</b>	<b>65,443,145</b>	<b>18,871,237</b>	<b>50,720,700</b>	<b>11,743,147</b>

**Future rental income**

Up to 1 year	85,397,315	20,160,733	53,127,972	12,545,571
Over 1 year; less than 5 years	341,589,258	80,642,931	212,511,888	50,182,284
Over 5 years	426,986,573	100,803,664	265,639,860	62,727,856
<b>Total expected receipts</b>	<b>853,973,146</b>	<b>201,607,328</b>	<b>531,279,720</b>	<b>125,455,711</b>

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8 INTANGIBLE ASSETS	Inflation adjusted				
	Indefeasible right of use	Unified Operating licence ZWL	Software Licences ZWL	Dec 31,2021 ZWL	Dec 31,2020 ZWL
Opening carrying amount	2,187,255,239	-	91,766,926	2,279,022,165	413,845,989
Gross carrying amount	2,280,137,202	-	136,852,743	2,416,989,945	467,398,764
Accumulated Amortisation	(92,881,963)	-	(45,085,817)	(137,967,780)	(53,552,775)
Additions: Unified Licence	-	4,533,411,783	-	4,533,411,783	39,027,238
Additions other	-	-	7,095,773	7,095,773	-
Exchange movement	508,559,452	-	-	508,559,452	1,910,563,944
Amortisation for the year	(51,988,534)	(40,731,037)	(55,448,445)	(148,168,016)	(84,415,006)
Closing carrying amount	2,643,826,157	4,492,680,746	43,414,254	7,179,921,157	2,279,022,165
Gross carrying amount	2,788,696,654	4,533,411,783	143,948,516	7,466,056,953	2,416,989,945
Accumulated Amortisation	(144,870,497)	(40,731,037)	(100,534,262)	(286,135,796)	(137,967,780)

	Historical cost				
	Indefeasible right of use	Unified Operating licence ZWL	Software Licences ZWL	Dec 31,2021 ZWL	Dec 31,2020 ZWL
Opening carrying amount	1,361,079,800	-	57,104,497	1,418,184,297	257,527,062
Gross carrying amount	1,418,878,159	-	85,160,388	1,504,038,547	290,851,751
Accumulated Amortisation	(57,798,359)	-	(28,055,891)	(85,854,250)	(33,324,689)
Additions: Unified Licence	-	2,820,357,710	-	2,820,357,710	24,285,774
Additions other	-	-	4,414,474	4,414,474	-
Reclassification	-	-	-	-	-
Exchange movement on intangibles	508,559,452	-	-	508,559,452	1,188,901,023
Amortisation for the year	(40,498,489)	(31,729,024)	(43,193,721)	(115,421,234)	(52,529,562)
Closing carrying amount	1,829,140,763	2,788,628,686	18,325,250	4,636,094,699	1,418,184,297
Gross carrying amount	1,927,437,611	2,820,357,710	89,574,862	4,837,370,183	1,504,038,547
Accumulated Amortisation	(98,296,848)	(31,729,024)	(71,249,612)	(201,275,484)	(85,854,250)

9 FINANCIAL ASSETS	Inflation adjusted		Historical cost	
	Dec 31,2021 ZWL	Dec 31,2020 ZWL	Dec 31,2021 ZWL	Dec 31,2020 ZWL
9.1 Financial assets at fair value through other comprehensive income				
Opening balance	629,757,970	267,745,107	629,757,970	166,611,765
ZB Shares	23,586,864	1,137,123	23,586,864	707,606
WIOCC Shares	606,159,822	266,502,084	606,159,822	165,838,260
Cairns Debentures	-	87,766	-	54,615
Tetrad Shares	11,284	18,134	11,284	11,284
Additions: Hwange Debentures	1,290,144	-	1,290,144	-
Redeemed	-	(87,746)	-	(54,602)
Fair value adjustment	275,692,006	744,363,697	275,692,006	463,200,807
Closing balance	906,740,120	1,012,021,058	906,740,120	629,757,970

Financial instruments include shares in ZB Holdings, an entity listed with the Zimbabwe Stock Exchange, shares in the West Indian Ocean Cable Company, Tetrad shares and Hwange Debentures. Investments in the equity instruments are measured at fair value through other comprehensive income.

WIOCC shares are measured at fair value using level 2 inputs in accordance with the fair value hierarchy. The fair value movements are recorded in other comprehensive income. ZB shares are measured at fair value using level 1 inputs, the market value as per the Zimbabwe Stock Exchange values is applied.

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9.2 Investment in Joint Venture

ZITCO INVESTMENT	Inflation adjusted		Historical cost	
	Dec 31, 2021 ZWL	Dec 31, 2020 ZWL	Dec 31, 2021 ZWL	Dec 31, 2020 ZWL
Opening balance	89,377,754	5,600,375	55,617,768	3,484,987
Additions	101,717,683	83,777,379	86,283,797	52,132,781
Share of profit from ZITCO	310,150	-	240,347	-
Closing balance	191,405,587	89,377,754	142,141,912	55,617,768

Zimbabwe Information Technology Company (ZITCO) was formed and incorporated in 2019. ZITCO was incorporated as a joint venture between TelOne, Government of Zimbabwe, through Flushcord Enterprises and Inspur to run the Zimbabwe Information Technology Company (ZITCO) through an assumption that parties were to make a total capital contribution of US\$5.6 million (Telone-US\$1.7 million, Flushcord Enterprises -US\$2.2 million and Inspur Group -US\$1.7 million) which would result in 30%, 40% and 30% respectively. However up to 31 December 2021, the contributions have not yet been aligned to the assumed shareholding. Telone was exclusively given an immediate mandate by the Government to make all decisions that can be lawfully made by the Board and Management of ZITCO in order to carry all activities necessary to operationalize the company and commence production pending finalisation of the ZITCO establishment. As at 31 December 2021, formal establishment of ZITCO was still pending Cabinet approval. Management is continuously following all the processes and facts involved in ZITCO establishment and conclude with certainty the possibility of significant changes in both investment structure and management of operations of ZITCO upon finalisation by Cabinet. Having assessed the progress and substance of the facts surrounding ownership of ZITCO, management applied judgement and decided to account for Telone contributions in ZITCO as an Investment accounted terms of IAS 28 equity accounting whilst the Cabinet finalises ownership structure and operating modalities of the company. TelOne contributed ZW\$142,141,912 equivalent to US\$1.4 million by 31 December 2021 towards preliminary operational activities and capital expenditure which according to the arrangement was capitalised as its investment contribution. Up to 31 December 2021, there were no significant trading transactions done by ZITCO hence immaterial share of earnings after its incorporation.

10 Leases

Leases consists of two properties leased from the Communication and Allied Pensions. The properties are Runhare House and the Msasa factory. On initial adoption of IFRS 16 the terms are as follows:

	Runhare House	Msasa Factory
Remaining Lease term (years)	40	10
Commencement year	1985	1978
Rate per annum	13%	13%
Payment per month	657,775	420,000
Rate per month	1.0833%	1.0833%
Number of payments	480	120

10.1 Right of use assets

	Inflation adjusted			Historical cost		
	Runhare House	Msasa Factory	Total	Runhare House	Msasa Factory	Total
Opening carrying amount 01 January 2020	746,566	798,817	1,545,383	464,571	497,086	961,657
Remeasurement adjustment	95,642,730	40,165,695	135,808,425	59,516,322	24,994,210	84,510,532
Carrying amount after remeasurement 30 September 2020	96,389,296	40,964,512	137,353,808	59,980,893	25,491,296	85,472,189
Depreciation charge 2020	(838,168)	(1,654,263)	(2,492,431)	(521,573)	(1,029,411)	(1,550,984)
Carrying amount 31 December 2020	95,551,128	39,310,249	134,861,377	59,459,320	24,461,885	83,921,205
Opening carrying amount 01 January 2021	95,551,128	39,310,249	134,861,377	59,459,320	24,461,885	83,921,205
Depreciation charge	(1,918,194)	(3,156,621)	(5,074,815)	(1,486,483)	(2,446,189)	(3,932,672)
Carrying amount 31 December 2021	93,632,934	36,153,628	129,786,562	57,972,837	22,015,696	79,988,533

10.2 Lease Liability

	Inflation adjusted			Historical cost		
	Runhare House	Msasa Factory	Total	Runhare House	Msasa Factory	Total
Lease liability-2020						
Short term portion	7,767	239,899	247,666	4,833	149,284	154,117
Long term portion	91,612,303	38,950,616	130,562,919	57,008,277	24,238,093	81,246,370
	91,620,070	39,190,515	130,810,585	57,013,110	24,387,377	81,400,487
Finance charges	10,106,248	4,049,235	14,155,483	7,831,723	3,137,909	10,969,632
Payments 2021	(5,980,892)	(5,727,121)	(11,708,013)	(4,634,825)	(4,438,168)	(9,072,993)
Effects of inflation	(35,535,418)	(14,425,511)	(49,960,929)	-	-	-
Lease Liability balance 2021	60,210,008	23,087,118	83,297,126	60,210,008	23,087,118	83,297,126
Long term portion	59,147,487	21,968,627	81,116,114	59,147,487	21,968,627	81,116,114
Short-term portion	1,062,521	1,118,491	2,181,012	1,062,521	1,118,491	2,181,012
	60,210,008	23,087,118	83,297,126	60,210,008	23,087,118	83,297,126

	Inflation adjusted		Historical cost	
	2021 ZWL	2020 ZWL	2021 ZWL	2020 ZWL
Amounts recognised in the profit and loss				
Interest on lease liabilities	14,155,483	9,069,217	10,969,632	5,643,570
Depreciation on right of use asset	5,074,815	2,492,431	3,932,672	1,550,984
	19,230,298	11,561,648	14,902,304	7,194,554
Amounts recognised in the cash flow statement				
Cash outflow for leases-principal	2,068,169	1,036,097	1,602,704	644,584
Cash outflow for leases-finance costs	9,639,846	7,167,915	7,470,290	4,460,433
Total cash outflows	11,708,015	8,204,012	9,072,994	5,105,017
Maturity Analysis-contractual undiscounted cash flows				
Less than 1 year		7,893,300		5,040,000
One to five years		31,573,200		20,160,000
More than five years		276,265,500		25,200,000
		395,732,000		30,400,000

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	Inflation adjusted		Historical cost	
	Dec 31, 2021 ZWL	Dec 31, 2020 ZWL	Dec 31, 2021 ZWL	Dec 31, 2020 ZWL
<b>11 INVENTORIES</b>				
Manufacturing	2,406,200	11,249,427	548,468	6,998,572
Telecomms	280,454,523	92,623,640	220,226,507	57,623,664
Transport	120,739,614	36,211,538	80,171,393	22,528,174
General	35,075,044	13,888,835	27,135,045	8,640,619
	<b>438,675,381</b>	<b>153,973,440</b>	<b>328,081,413</b>	<b>95,791,029</b>

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

<b>12 TRADE AND OTHER RECEIVABLES</b>				
Trade receivables	2,035,542,151	1,813,976,965	2,035,542,151	1,128,523,982
Allowance for credit losses	(451,626,949)	(545,181,091)	(451,626,949)	(339,171,857)
<b>Net trade receivables</b>	<b>1,583,915,202</b>	<b>1,268,795,874</b>	<b>1,583,915,202</b>	<b>789,352,125</b>
Prepayments and other	757,345,108	1,021,725,872	679,435,753	635,643,215
Amounts remitted to banks for pending bids	129,761,745	-	129,761,745	-
Real estate receivables	13,834,977	7,880,254	13,834,977	4,902,518
IDBZ receivables	2,216,738	3,563,160	2,216,738	2,216,738
	<b>2,487,073,770</b>	<b>2,301,965,160</b>	<b>2,409,164,415</b>	<b>1,432,114,596</b>
<b>12.1 Security deposits</b>				
Stanbic Escrow	79,252,983	95,821,013	79,252,983	59,612,836
China Exim Escrow	209,534,227	253,454,944	209,534,227	157,681,155
	<b>288,787,210</b>	<b>349,275,957</b>	<b>288,787,210</b>	<b>217,293,991</b>

Restricted funds in Stanbic Escrow Account and The Debt Service Reserve Accounts are classified as such as they are not accessible for the company's use in the short term and are pledged as security for the China Exim loan.

<b>12.2 ALLOWANCE FOR CREDIT LOSSES</b>				
At January 1	545,181,091	217,245,561	339,171,857	135,154,321
Charge for the year	112,455,092	327,935,530	112,455,092	204,017,536
Effects of inflation	(206,009,234)	-	-	-
<b>As at December 31</b>	<b>451,626,949</b>	<b>545,181,091</b>	<b>451,626,949</b>	<b>339,171,857</b>
<b>13 CASH AND CASH EQUIVALENTS</b>				
Bank and cash balances	890,143,352	419,204,200	890,143,352	260,798,236
	<b>890,143,352</b>	<b>419,204,200</b>	<b>890,143,352</b>	<b>260,798,236</b>
<b>14 AUTHORISED SHARE CAPITAL</b>				
Authorized share capital				
32 000 ordinary shares of \$0.001	51	51	32	32
	<b>51</b>	<b>51</b>	<b>32</b>	<b>32</b>
<b>Issued and fully paid</b>				
32 000 ordinary shares of \$0.001 each	51	51	32	32
	<b>51</b>	<b>51</b>	<b>32</b>	<b>32</b>

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

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15. FOREIGN LEGACY LOANS AS AT 31 DECEMBER 2021.

NAME OF LOAN	PROJECT	INTEREST RATE %	CURRENCY	TOTAL DRAWDOWN FOREIGN CURRENCY	PRINCIPAL OUTSTANDING AS AT 31.12.2020	INTEREST AS AT 31.12.2020	OVERDUE CHARGES AS AT 31.12.2020	MOVEMENT AS AT 31.12.2020	CLOSING BALANCE 31.12.2020	REVISION ADJUSTED CLOSING BALANCE 31.12.2020	MOVEMENTS AS AT 31.12.2021	PAYMENTS AS AT 31.12.2021	PRINCIPAL OUTSTANDING AS AT 31.12.2021	INTEREST AS AT 31.12.2021	OVERDUE CHARGES AS AT 31.12.2021	CLOSING BALANCE 31.12.2021	REVISION ADJUSTED CLOSING BALANCE 31.12.2021
AFRICAN DEVELOPMENT BANK (ADB)	TELKOMMUNICATIONS-11	7.45%	US	US\$26,378,300.05	2,812,439,208	1,430,658,728	6,781,932	908,666,368	7,135,546,236	11,537,971,802	924,316,483	-	8,102,862,720	1,367,671,592	2,814,680	9,471,299,001	9,471,299,001
FRANQUE NATIONALE DE PARIS (BNP)	WIRELESS LOCAL SYSTEM	7.60%	EURO	FRF 61,464,391.00	609,445,076	96,848,660	2,243,991,018	504,218,615	3,494,401,869	5,351,547,633	136,219,971	-	3,590,821,340	26,938,497	955,031,848	4,572,785,065	4,572,785,065
EXPORTIMANS	EXTENSION OF AIRFARE	8.30%	NDK	NCK 4,121,400.00	140,210,594	18,718,493	1,076,705,717	228,151,570	1,443,786,371	2,370,304,702	40,158,373	-	1,505,944,747	6,666,290	599,859,796	2,110,470,831	2,110,470,831
KREDITANSTALT FÜR WIEDERAUFBAU (KfW) I PORTION 1	HABABE UNIT 5 EXCHANGE	0.75%	EURO	DM 10,500,000.00	460,465,644	59,033,497	121,849,543	40,134,946	641,481,030	1,091,465,594	102,000,869	-	784,664,499	70,436,376	47,372,135	852,411,010	852,411,010
KREDITANSTALT FÜR WIEDERAUFBAU (KfW) II PORTION 1	HABABE WESTERN SATELITE EXCHANGE	2.00%	EURO	DM 15,000,000.00	573,037,354	195,932,004	273,627,879	105,545,234	1,148,117,851	1,846,697,536	128,082,415	-	1,276,280,366	67,824,136	103,605,728	1,442,690,330	1,442,690,330
KREDITANSTALT FÜR WIEDERAUFBAU (KfW) III	EXCHANGE	4.50%	EURO	DM 12,000,000.00	504,556,793	172,438,599	226,714,791	80,731,524	901,241,667	1,566,188,939	112,731,189	-	1,105,972,855	59,694,539	86,010,061	1,251,677,455	1,251,677,455
KREDITANSTALT FÜR WIEDERAUFBAU (KfW) V PORTION 1	RURAL TELECOM	0.75%	EURO	DM 13,000,000.00	678,460,090	86,976,293	137,540,386	49,755,487	952,732,215	1,511,040,670	151,645,846	-	1,104,378,061	30,110,017	55,663,230	1,190,151,308	1,190,151,308
KREDITANSTALT FÜR WIEDERAUFBAU (KfW) V PORTION 11	MATEBELELAND	2.02%	EURO	DM 6,738,304.00	404,201,686	137,021,237	137,113,668	61,621,998	779,998,589	1,189,111,652	90,345,644	-	836,303,633	47,514,143	52,631,253	910,449,029	910,449,029
OVERSEAS ECONOMIC CO-OPERATION FUND (OEFT) II	MATEBELELAND DIGITALISATION	3.02%	YEN	YEN9,189,121,756	7,395,308,974	2,115,629,433	4,372,613,288	1,413,195,430	15,335,407,175	24,641,999,250	1,409,600,715	-	16,745,027,660	541,494,657	1,465,066,045	18,391,286,542	18,391,286,542
OVERSEAS ECONOMIC CO-OPERATION FUND (OEFT) IV	DIGITAL TRANS SYSTEMS	2.60%	YEN	YEN 269,380,744.00	216,815,768	61,880,357	104,522,082	36,427,694	421,634,901	677,567,286	41,323,591	-	460,958,692	16,387,253	40,793,111	503,138,856	503,138,856
OVERSEAS ECONOMIC CO-OPERATION FUND (OEFT) V	MASH & MANGALAND DIGITALISATION	2.30%	YEN	YEN 1,744,869,851.00	1,406,458,796	380,057,843	566,685,327	203,130,882	2,593,737,847	4,102,231,651	267,680,167	-	3,826,468,015	99,932,888	275,342,912	3,145,663,815	3,145,663,815
EXIMBANK OF JAPAN (SUMITOMO II)	2ND MARQUE EARTH STATION	6.00%	YEN	YEN 934,218,650.00	327,733,695	32,833,647	493,844,810	114,891,970	967,384,122	1,554,477,726	62,461,794	-	1,029,767,006	7,742,887	153,052,296	1,190,571,089	1,190,571,089
TOTAL LEGACY LOANS BEFORE CHINA EXIM					15,527,594,158	6,848,103,651	9,757,990,401	3,756,075,718	35,889,716,925	57,678,870,629	3,467,508,447	-	39,357,272,374	2,292,335,275	3,087,253,104	45,639,800,723	45,639,800,723
CHINA EXIM BANK	NATIONAL BROADBAND PROJECT	5.00%	US	USD 92,886,519	1,711,792,203	-	-	6,463,211,395	8,176,991,598	11,149,438,712	-	-	8,176,993,599	-	2,687,276,241	10,864,219,840	10,864,219,840
TOTAL FOREIGN LOANS					17,241,376,361	6,848,103,651	9,757,990,401	10,219,287,113	44,066,793,523	70,815,279,341	3,467,508,447	-	47,534,265,972	2,292,335,275	6,674,479,346	56,501,100,593	56,501,100,593

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**15.1 CHINA EXIM BANK LOAN**

The China Exim Bank loan is in respect of a loan received from the EximBank of China. The proceeds of the loan were used for the National Backbone and Broadband Project. The terms of the loan are as follows:

Contract Amount	116,805,523
Down Payment	15.571%
Loan currency	USD
Armotizable amount	98,617,482
First drawdown date	14-Mar-17
Drawdown to date	98,495,973
Tenor (Years)	15
Number of Payments	30
Grace Period (Years)	5
Interest Rate	2.000%

**15.2 BORROWING COSTS**

	Inflation adjusted		Historical cost	
	Dec 31,2021 ZWL	Dec 31,2020 ZWL	Dec 31,2021 ZWL	Dec 31,2020 ZWL
Expensed	234,825,741	179,935,245	181,975,566	111,942,568
Capitalised	-	-	-	-
<b>Total for the year</b>	<b>234,825,741</b>	<b>179,935,245</b>	<b>181,975,566</b>	<b>111,942,568</b>

**16 LOCAL LOANS**

				Inflation adjusted		Historical cost	
	Government	CAIPF	IDBZ	Dec 31,2021 TOTAL	Dec 31,2020 TOTAL	Dec 31,2021 TOTAL	Dec 31,2020 TOTAL
Opening balance	56,258,613	12,237,430	35,995,803	104,491,846	153,133,117	65,007,195	95,268,241
Additions	-	-	-	-	-	-	-
Repayments	-	(12,237,430)	(25,074,594)	(37,312,024)	(50,522,163)	(26,300,533)	(31,431,200)
Charges capitalized	-	-	378,531	378,531	1,880,892	293,338	1,170,154
Effects of inflation	(21,258,613)	-	(7,299,740)	(28,558,353)	-	-	-
<b>Closing balance</b>	<b>35,000,000</b>	<b>-</b>	<b>4,000,000</b>	<b>39,000,000</b>	<b>104,491,846</b>	<b>39,000,000</b>	<b>65,007,195</b>
<b>16.1 Short-term portion</b>	<b>35,000,000</b>	<b>-</b>	<b>4,000,000</b>	<b>39,000,000</b>	<b>104,491,846</b>	<b>39,000,000</b>	<b>65,007,195</b>
	<b>35,000,000</b>	<b>-</b>	<b>4,000,000</b>	<b>39,000,000</b>	<b>104,491,846</b>	<b>39,000,000</b>	<b>65,007,195</b>

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

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

**16.3 Government of Zimbabwe (GoZ) Loan Facility**

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

Loan Amount	ZWL 35,000,000
Interest rate	0%

TelOne has not yet made any payment towards the Government loan

**17 INCOME TAX EXPENSE**

	Inflation adjusted		Historical cost	
	Dec 31,2021 ZWL	Dec 31,2020 ZWL	Dec 31,2021 ZWL	Dec 31,2020 ZWL
<b>17.1 Net income tax expense/ (income)</b>	<b>284,028,358</b>	<b>(11,015,147,220)</b>	<b>(3,543,009,389)</b>	<b>(6,852,820,100)</b>
Current tax expense	(38,610,158)	(375,163,202)	(70,091,198)	(233,399,144)
Deferred tax expense/ (income)	322,638,516	(10,639,984,018)	(3,472,918,191)	(6,619,420,956)
<b>TAX RATE RECONCILIATION</b>				
Accounting profit	15,783,218,290	(55,457,683,424)	(12,231,708,616)	(34,510,379,919)
Notional tax charge based on profit for the year at 24.72%	3,901,611,561	(13,709,139,342)	(3,023,678,370)	(8,530,965,916)
Net effect of temporary/permanent differences	(3,617,583,203)	2,693,992,122	(519,331,019)	1,678,145,816
	<b>284,028,358</b>	<b>(11,015,147,220)</b>	<b>(3,543,009,389)</b>	<b>(6,852,820,100)</b>

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	Inflation adjusted		Historical cost	
	Dec 31,2021 ZWL	Dec 31,2020 ZWL	Dec 31,2021 ZWL	Dec 31,2020 ZWL
<b>17.2 Deferred Taxation</b>				
Analysis of deferred tax asset				
Property, plant and equipment accelerated	11,330,174,413	13,071,227,703	8,002,924,345	8,131,963,209
Accruals	(18,700)	(65,106,622)	(18,700)	(40,504,585)
Fair value remeasurement gain	(51,304,121)	9,090,994	(51,304,121)	5,655,753
Provisions	(286,176,245)	(189,675,392)	(286,176,245)	(118,002,176)
Unrealized exchange losses	(11,797,717,364)	(13,951,399,201)	(11,797,717,366)	(8,679,541,631)
Allowance for credit losses	(111,642,182)	(135,823,108)	(111,642,182)	(84,499,218)
Investment property	-	22,362,913	-	13,912,571
<b>Net deferred tax asset</b>	<b>(916,684,199)</b>	<b>(1,239,322,713)</b>	<b>(4,243,934,269)</b>	<b>(771,016,077)</b>
<b>17.3 Current Tax Asset</b>	<b>(285,824,871)</b>	<b>(346,767,918)</b>	<b>(285,824,871)</b>	<b>(215,733,673)</b>
Opening balance	(346,767,918)	28,395,284	(215,733,673)	17,665,471
Charge for the year	(38,610,158)	(375,163,202)	(70,091,198)	(233,399,144)
Effects of inflation	99,553,205	-	-	-
<b>18 TRADE AND OTHER PAYABLES</b>				
<b>18.1 Trade payables</b>				
Local	209,865,480	412,193,751	209,865,480	256,436,847
Foreign	1,250,036,233	2,021,185,196	1,250,036,233	1,257,433,810
	<b>1,459,901,713</b>	<b>2,433,378,947</b>	<b>1,459,901,713</b>	<b>1,513,870,657</b>
Other payables	189,197,355	629,054,417	189,197,355	391,351,715
Statutory payables	811,603,253	705,798,579	811,603,253	439,096,325
	<b>2,460,702,321</b>	<b>3,768,231,943</b>	<b>2,460,702,321</b>	<b>2,344,318,697</b>
<b>18.2 Operating licence</b>				
Current portion	183,441,119	-	183,441,119	-
Long term portion	2,972,327,416	-	2,972,327,416	-
	<b>3,155,768,535</b>	<b>-</b>	<b>3,155,768,535</b>	<b>-</b>
<b>18.3 Loan interest payable</b>				
Loan interest payable relates to accumulated interest on foreign loans	193,046,203	19,522,146	193,046,203	12,145,254
	<b>13,032,239</b>	<b>16,219,158</b>	<b>13,032,239</b>	<b>10,090,376</b>
<b>18.4 Long-term payable</b>				
The company has completed the National Broadband Project (NBB) and Huawei was the supplier of the equipment for project. The NBB was being funded by a loan from the China Exim Bank. The loan was secured through an on-lending facility with the Government of Zimbabwe. The long term payable represents equipment received as part of the NBB Project which had not yet been paid for at year end.				
The loans are broken down as follows as at the date of the announcement by Government of Zimbabwe.				
<b>18.5 Contract Liabilities</b>				
Current portion	53,627,129	794,069	53,627,129	494,012
Non current portion	728,053,512	4,871,487	728,053,512	3,030,683
	<b>781,680,641</b>	<b>5,665,556</b>	<b>781,680,641</b>	<b>3,524,695</b>

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

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	Inflation adjusted		Historical cost	
	Dec 31,2021 ZWL	Dec 31,2020 ZWL	Dec 31,2021 ZWL	Dec 31,2020 ZWL
<b>19 PROVISIONS</b>				
Leave pay	230,844,867	149,911,347	230,844,867	93,263,891
Gratuity	134,993,037	105,678,419	134,993,037	65,745,394
Bonus	10,152,349	7,573,650	10,152,349	4,711,772
	<b>375,990,253</b>	<b>263,163,416</b>	<b>375,990,253</b>	<b>163,721,057</b>
<b>19.1 Leave pay</b>				
Opening balance	149,911,347	7,378,776	93,263,891	4,590,536
Additions	160,362,826	264,293,954	160,362,826	164,424,395
Payments	(22,781,850)	(121,761,383)	(22,781,850)	(75,751,040)
Effects of inflation	(56,647,456)	-	-	-
Closing balance	<b>230,844,867</b>	<b>149,911,347</b>	<b>230,844,867</b>	<b>93,263,891</b>
<b>19.2 Bonus</b>				
Opening balance	7,573,650	459,137	4,711,772	285,642
Additions	243,225,425	231,879,879	243,225,425	144,258,725
Payments	(237,784,848)	(224,765,366)	(237,784,848)	(139,832,595)
Effects of inflation	(2,861,878)	-	-	-
Closing balance	<b>10,152,349</b>	<b>7,573,650</b>	<b>10,152,349</b>	<b>4,711,772</b>
<b>19.3 Gratuity</b>				
Opening balance	105,678,419	7,331,338	65,745,394	4,561,023
Additions	109,070,816	98,347,081	109,070,816	61,184,371
Payments	-	-	-	-
Effects of inflation	(79,756,198)	-	(39,823,173)	-
Closing balance	<b>134,993,037</b>	<b>105,678,419</b>	<b>134,993,037</b>	<b>65,745,394</b>
<b>19.4 Retrenchment</b>				
Opening balance	-	-	-	-
Additions	106,435,192	-	106,435,192	-
Payments	(106,435,192)	-	(106,435,192)	-
Closing balance	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>20 REVENUE</b>				
Revenue comprises:				
Voice revenue	2,111,961,460	1,428,895,348	1,723,241,274	888,954,325
Data revenue	1,426,867,529	429,308,600	1,180,919,815	267,084,456
Internet revenue	6,543,721,732	2,705,559,765	5,381,086,763	1,683,201,683
V-Sat revenue	642,170,125	61,872,291	106,001,233	38,492,421
Interconnection revenue	597,499,535	348,423,714	339,796,649	216,763,788
Centre for Learning revenue	239,690,163	23,465,318	117,616,589	14,598,407
Accessories sales	158,175,950	44,758,991	47,192,346	27,845,775
	<b>11,720,086,494</b>	<b>5,042,284,027</b>	<b>8,895,854,669</b>	<b>3,136,940,855</b>

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



TELONE (PRIVATE) LIMITED

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for the year ended December 31, 2021.

	Inflation adjusted		Historical cost	
	Dec 31,2021 ZWL	Dec 31,2020 ZWL	Dec 31,2021 ZWL	Dec 31,2020 ZWL
<b>21 PAYMENTS TO OTHER OPERATORS</b>				
VSAT handling costs	91,760,879	68,790,126	73,378,027	42,796,193
Telephone foreign handling costs	92,427,728	82,375,288	73,019,482	51,247,888
Data handling costs	3,826,840	57,854	2,975,347	35,993
Internet handling costs	392,210,911	203,417,355	323,056,022	126,551,421
CPE purchase	339,161,091	106,376,601	298,903,694	66,179,752
Regulatory fees	235,290,662	112,199,904	190,083,082	69,802,586
Local interconnection costs	764,756,617	479,273,148	609,497,700	298,168,749
	<b>1,919,434,728</b>	<b>1,052,490,276</b>	<b>1,570,913,354</b>	<b>654,782,582</b>
<b>22 OTHER INCOME</b>				
Insurance recoveries/excess paid	587,163	55,865	436,973	34,755
Settlement discounts	48,543,704	33,717,286	48,543,704	20,976,433
Rental income	68,549,548	20,165,612	53,127,972	12,545,571
Dividends	728,539	8,553,147	728,539	5,321,143
Innovation income	9,176,139	16,189,835	9,199,597	10,072,133
Manufacturing sales	-	137,609,588	-	85,610,635
Net income from sale of processed copper cables	27,274,875	-	27,274,003	-
Infrastructure income	75,031,564	-	58,757,945	-
Proceeds from disposal of assets and redundant material	35,591,655	5,975,394	30,262,578	3,717,454
Sundry income	176,441,020	52,750,138	112,629,246	32,817,283
	<b>441,924,207</b>	<b>275,016,865</b>	<b>340,960,557</b>	<b>171,095,407</b>
<b>23 OTHER OPERATING EXPENSES</b>				
Stores handling costs	124,380,784	76,279,594	49,443,660	47,455,592
Electricity,rent and rates	474,514,992	164,870,756	375,832,590	102,570,543
Transport costs	752,102,853	284,155,599	612,369,854	176,780,860
Write off expenses	89,953	337,491	75,581	209,962
Discounts allowed	9,515,026	-	7,373,562	-
Office and admin expenses	998,025,871	224,061,384	794,076,231	139,394,628
Software licences	194,625,709	113,554,688	137,647,819	70,645,433
Marketing expenses	216,302,446	87,130,471	181,919,438	54,206,215
Allowances for credit losses	112,455,092	327,935,530	112,455,092	204,017,536
Operational costs	703,592,441	479,314,329	515,390,027	298,194,368
	<b>3,585,605,166</b>	<b>1,757,639,842</b>	<b>2,786,583,854</b>	<b>1,093,475,137</b>
<b>23.1 Staff Costs</b>	<b>3,440,880,409</b>	<b>1,498,762,918</b>	<b>2,783,545,510</b>	<b>932,420,824</b>
<b>24 FINANCE INCOME AND COSTS</b>				
<b>24.1 Finance Income</b>	<b>383,116,618</b>	<b>227,211,735</b>	<b>307,243,292</b>	<b>141,354,547</b>
Interest income received	3,530,026	14,200,879	2,659,743	8,834,750
Interest income receivable	379,586,592	213,010,856	304,583,549	132,519,797
Interest was charged on overdue receivables at 30% interest per annum				
<b>24.2 Other finance Costs</b>	<b>(416,618,415)</b>	<b>(219,131,700)</b>	<b>(322,853,754)</b>	<b>(136,327,740)</b>
Interest expense on current loans	(234,825,741)	(179,935,245)	(181,975,566)	(111,942,568)
Interest expense on trade payables	(181,792,674)	(39,196,455)	(140,878,188)	(24,385,172)
<b>24.3 Foreign legacy expenses</b>	<b>(10,571,956,418)</b>	<b>(55,830,754,690)</b>	<b>(10,113,798,835)</b>	<b>(34,733,817,923)</b>
Interest expense on foreign legacy loans	(2,035,701,759)	(25,922,700,924)	(1,577,544,176)	(16,127,211,229)
Exchange gain/(loss) foreign on foreign legacy loans	(8,536,254,659)	(29,908,053,766)	(8,536,254,659)	(18,606,606,694)
<b>25 Net exchange losses from payables and receivables</b>	<b>(2,739,024,389)</b>	<b>(606,944,339)</b>	<b>(2,739,024,389)</b>	<b>(377,596,440)</b>

TELONE (PRIVATE) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

for the year ended December 31, 2021.

26 EMPLOYEE BENEFITS

26.1 Pension Fund

The Company makes contributions for all eligible employees to a multi employer defined benefit plan administered by the Communications and Allied Industries

Pension Fund(CAIPF). The fund is run collectively for the former Postal and Telecommunications Corporations successor companies.

	Inflation adjusted		Historical cost	
	Dec 31,2021 ZWL	Dec 31,2020 ZWL	Dec 31,2021 ZWL	Dec 31,2020 ZWL
EMPLOYEE BENEFITS				
Short term benefits	3,265,960,780	1,731,934,169	2,650,613,019	1,077,482,946
Post employment benefits	142,212,149	34,253,899	115,569,547	21,310,274
Other long term benefits	21,645,133	11,377,612	17,566,080	7,078,319
	<b>3,429,818,062</b>	<b>1,777,565,680</b>	<b>2,783,748,646</b>	<b>1,105,871,539</b>

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

The Pension Fund is a defined benefit plan. It is being accounted for as a defined contribution plan because no sufficient information available to use defined benefit accounting in line with the requirements of IAS 19. The expense for the year ended 31 December 2021 amounted to ZWL 115,569,547 (2020 ZWL 21,310,274). Liability as at 31 December 2021 ZWL 44,632,948 (2020 ZWL 8,660,145). The contributions have been discounted using a discount rate of 7% per annum.

The rules of the fund requires employees to contribute at a rate of 7.5% of pensionable salaries towards retirement benefits whilst the employer also contributes 22.5% contributions towards retirement benefits. The rules of the CAIPF require an actuarial valuation to be performed at least every three years but the current practice of CAIPF is to perform annual valuations. Subsequent to year end, the CAIPF recorded a surplus of ZWL755million with a funding level of 420%. The 2021 report is yet to be approved by the Authority.

Based on the post year end valuation performed in March 2020, the Fund is in a sound financial position as at 31 December 2021 in terms of Section 37(4) of the Pension and Funds Regulations 1991.

26.2 National Social Security Authority Scheme

This is a defined contribution scheme promulgated under the National Social Security Act of 1989. The Company's obligations under the scheme are limited to specific contributions as legislated from time to time. Contributions by employees are 4.5% per month of the pensionable monthly emoluments . As of the year 2021 insurable earnings are now reviewed on a monthly basis by NSSA. The contributions for the year ended December 31, 2021 amounted to ZWL 14,946,725 (2020: ZWL 2,907,080).

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for the year ended December 31, 2021.

27 RELATED PARTY TRANSACTIONS	Inflation adjusted		Historical cost	
	Dec 31,2021 ZWL	Dec 31,2020 ZWL	Dec 31,2021 ZWL	Dec 31,2020 ZWL
<b>27.1 Transactions</b>				
Communications and Allied Industries Pension Fund Pension fund contributions	34,855,217	34,253,899	27,010,659	21,310,274
<b>Net One (Pvt) Ltd - lease of microwave sites</b>				
Cell phone charges, leased circuits and interconnect income	606,758,042	232,806,389	470,200,319	144,835,132
Zimpost -rental of property and postage and use of telecom products	48,399	1,308,474	37,507	814,037
	<u>641,661,658</u>	<u>268,368,762</u>	<u>497,248,485</u>	<u>166,959,443</u>
<b>27.2 Amounts owing from related parties (debtors)</b>				
NetOne (Pvt) Ltd	145,421,939	-	145,421,939	-
Government of Zimbabwe departments and parastatals	1,339,643,981	1,093,683,279	1,339,643,981	680,409,858
Zimpost (Pvt) Ltd	19,007,116	99,926	19,007,116	62,167
	<u>1,358,651,096</u>	<u>1,093,783,205</u>	<u>1,358,651,096</u>	<u>680,472,025</u>
<b>27.3 Amounts owing to related parties (creditors)</b>				
Zimpost (Pvt) Ltd	-	1,090,055	-	678,152
Communication and Allied Industries Pension Fund	49,448,030	13,920,222	49,448,030	8,660,145
	<u>49,448,030</u>	<u>15,010,277</u>	<u>49,448,030</u>	<u>9,338,297</u>
<b>27.4 Compensation to the Board of Directors and Key Management personnel</b>				

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

	Dec 31,2021 ZWL	Dec 31,2020 ZWL	Dec 31,2021 ZWL	Dec 31,2020 ZWL
<b>Board of Directors</b>				
Non executive directors' fees	5,578,470	3,864,522	4,322,972	2,404,223
<b>Members of Key Management</b>				
Short term employee benefits	85,182,438	33,788,555	66,011,172	21,020,771
Long term benefits	10,389,143	3,211,954	8,050,949	1,998,243
Post employment benefits	32,982,184	-	25,559,173	-
<b>Total emoluments</b>	<u>134,132,235</u>	<u>40,865,031</u>	<u>103,944,266</u>	<u>25,423,237</u>

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

TELONE (PRIVATE) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

for the year ended December 31, 2021.

28 FINANCIAL RISK MANAGEMENT

28.1 Exposure to credit risk

Credit risk is the risk that the counterparty will not meet its obligations under a financial instrument or customer contract leading to a financial loss. The entity is exposed to credit risk from its operating activities primarily from trade receivables, financing activities including deposits with banks and from other financial instruments. Financial assets which are subject to credit risk include cash resources, trade and other receivables and other financial assets.

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

Carrying amount	Inflation adjusted		Historical cost	
	Dec 31, 2021 ZWL	Dec 31, 2020 ZWL	Dec 31, 2021 ZWL	Dec 31, 2020 ZWL
Trade receivables	1,583,915,202	1,268,795,874	1,583,915,202	789,352,125
Other receivables	757,345,108	59,336,166	679,435,753	36,914,629
Financial Instruments	906,740,120	267,809,934	906,740,120	166,611,781
Cash and cash equivalents	890,143,352	244,431,206	890,143,352	152,067,244
	<b>4,138,143,782</b>	<b>1,840,373,180</b>	<b>4,060,234,427</b>	<b>1,144,945,779</b>

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 ZWL	Impairment ZWL	Dec 31, 2021	Dec 31, 2020
			Net ZWL	Net ZWL
Not past due	1,046,640,576	(152,951,975)	893,688,601	479,809,194
Past due 0-30 days	400,893,000	(86,798,866)	314,094,134	340,652,227
Past due 31-120 days	237,540,725	(105,703,700)	131,837,025	356,969,749
More than 120 days	350,467,851	(106,172,408)	244,295,442	91,364,704
	<b>2,035,542,152</b>	<b>(451,626,949)</b>	<b>1,583,915,202</b>	<b>1,268,795,874</b>

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

28.2 Liquidity risk

The entity manages liquidity risk by continuously monitoring forecast and actual cash flows. The ability of the entity to settle its foreign creditors remained a key consideration although with the support of the Reserve Bank of Zimbabwe on foreign exchange market the company's position with its foreign creditors improved during the financial period. The following are contractual maturities of financial liabilities, including estimated interest payments and excluding the impact of netting agreements:

Dec 31, 2021	Carrying Amount ZWL	Contractual cash flows ZWL	0-12 Months ZWL	12 Months or more ZWL
<b>Non-derivative financial liabilities</b>				
Trade payables	1,459,901,713	1,459,901,713	1,459,901,713	-
Other payables	4,156,569,143	4,156,569,143	4,156,569,143	-
Loans	56,501,100,593	56,501,100,593	232,046,203	56,269,054,390
	<b>62,117,571,449</b>	<b>62,117,571,449</b>	<b>5,848,517,059</b>	<b>56,269,054,390</b>
<b>Dec 31, 2020</b>				
<b>Non-derivative financial liabilities</b>				
Trade payables	2,433,378,947	2,433,378,947	2,433,378,947	-
Other payables	1,334,852,996	1,334,852,996	1,334,852,996	-
Loans	70,815,279,341	70,815,279,341	124,013,993	70,691,265,348
	<b>74,583,511,284</b>	<b>74,583,511,284</b>	<b>3,892,245,936</b>	<b>70,691,265,348</b>

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, 2021.

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**28.3 Currency risk**

**Exposure to currency risk**

The company's exposure to foreign currency risk is attributable to the Euro (EURO), Japanese Yen (YEN), and Norwegian Kroner (NOK) denominated monetary assets and liabilities. The exposure was as follows at 31 December 2021, based on notional amounts:

	Receivables ZWL	Payables ZWL	Net exposure ZWL
<b>2020</b>			
EURO	-	1,802,752,294	1,802,752,294
YEN	-	14,425,673,496	14,425,673,496
NOK	-	140,210,594	140,210,594
USD		375,737,028,517	375,737,028,517
<b>2021</b>			
EURO	-	3,254,469,722	3,254,469,722
YEN	-	12,429,790,274	12,429,790,274
NOK	-	172,274,223	172,274,223
USD		485,452,635,530	485,452,635,530

The following significant exchange rates applied during the year :

	Dec 31, 2021	Dec 31, 2020
EURO	121.88	67.51
YEN	0.93	0.80
NOK	11.94	9.72
USD	107.25	83

**28.4 Currency risk**

**Sensitivity analysis**

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

Effect	Equity ZWL	Profit or loss ZWL
10% appreciation	( 265 293)	( 265 293)
10% depreciation	265 293	265 293
<b>31-Dec-19</b>		
<b>Dec 31, 2020</b>		
<b>EURO</b>		
10% appreciation	(180,275,229)	(180,275,229)
10% depreciation	180,275,229	180,275,229
<b>YEN</b>		
10% appreciation	(1,442,567,350)	(1,442,567,350)
10% depreciation	1,442,567,350	1,442,567,350
<b>NOK</b>		
10% appreciation	(14,021,059)	(14,021,059)
10% depreciation	14,021,059	14,021,059
<b>USD</b>		
10% appreciation	(19,085,627,478)	(19,085,627,478)
10% depreciation	194,296,289	194,296,289
<b>Dec 31, 2021</b>		
<b>EURO</b>		
10% appreciation	(325,446,972)	(325,446,972)
10% depreciation	325,446,972	325,446,972
<b>YEN</b>		
10% appreciation	(1,242,979,027)	(1,242,979,027)
10% depreciation	1,242,979,027	1,242,979,027
<b>NOK</b>		
10% appreciation	(17,227,422)	(17,227,422)
10% depreciation	17,227,422	17,227,422
<b>USD</b>		
10% appreciation	(48,545,263,553)	(48,545,263,553)
10% depreciation	342,674,394	342,674,394

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29 Interest rate risk	Dec 31, 2021 ZWL	Dec 31, 2020 ZWL
As at 31 December 2021, the interest rate profile of the company's interest bearing- financial instruments was:		
<b>Fixed rate risk</b>		
Financial assets	-	-
Financial liabilities	56,501,100,593	44,066,757,523
	<u>56,501,100,593</u>	<u>44,066,757,523</u>

**29.1 Treasury and financial risk management**

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

**30 Going concern**

**Loan repayments**

The directors have assessed the ability of the entity to continue as a going concern and believe that the preparation of the financials statements on a going concern basis is still appropriate. Going concern assessment was performed taking into account the current economic conditions, forecasts and resources that are available for the entity to manage the financial and operational risks and adapting its strategy to economic changes. The entity is in a net liability position of ZWL 18,624,335,819 and has defaulted in interest and principal repayments on foreign legacy loans.

**Technical insolvency**

As at December 31, 2021, the company's total liabilities exceeded its total assets by ZWL 18,624,335,819 mainly due to long-term loans now classified as current liabilities.

**Net Liability Position**

	Dec 31, 2021 ZWL	Dec 31, 2020 ZWL	Dec 31, 2021 ZWL	Dec 31, 2020 ZWL
Total Assets	63,010,415,702	58,823,450,908	44,979,282,092	36,603,787,750
Total Liabilities	63,603,617,911	75,123,383,991	63,603,617,911	46,746,965,284
<b>Net Position</b>	<u>(593,202,209)</u>	<u>(16,299,933,083)</u>	<u>(18,624,335,819)</u>	<u>(10,143,177,534)</u>

The following factors mitigate the going concern risk as a result of net liability position:

- The net liability position is due to foreign legacy loans amounting to ZWL45,636,880,753. The legacy loans were inherited from the Postal and Telecommunications Corporation (PTC) on its unbundling in the year 2000. The loans were all guaranteed by the Government of Zimbabwe. In March 2019, the Government passed a resolution to take over these loans in order to capitalise the company balance sheet. The Ministry of Finance and Economic Development has commenced formal engagements with legacy lenders in order to implement the Government resolution. The take over of these loans will see the company return to profitability and strengthen the company balance sheet.
- The Government of Zimbabwe also announced plans to partially privatise TelOne in 2019 so as to allow the company to access fresh capital to support network expansion and upgrade plans.
- During the year, the company had an operating loss of ZWL\$8,688,699,227.

TELONE (PRIVATE) LIMITED

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**COVID 19 impact on going concern**

"The COVID-19 pandemic developed rapidly in 2020, with a significant number of cases by year end. Measures taken by various governments to contain the virus have materially affected economic activity, the operating environment and the entity's business prospects. The global operating environment suffered negative impacts on business operations arising from the restrictions in social and economic activities, heightened safety and health requirements and changes in demand patterns of products.

Telecomms sector was categorised as an essential service hence the entity did not experience any major disruptions to its operations as a result of COVID 19. The entity experienced increased demand for internet and broadband data as most entities resorted to working from home. As such, data revenues increase by 342% from ZWL267 million in 2020 to ZWL1, 2 billion in 2021, whilst Internet revenues increase by 220% from ZWL1.7 billion in 2020 to ZWL5, 4 billion in 2021. Overall, the entity revenue increased by 184% from ZWL3.1billion in 2020 to ZWL8.9 billion in 2021.

Management has considered the potential impact of the COVID-19 pandemic in the Company's significant accounting judgements and estimates and there are no changes to the significant judgements and estimates disclosed in the financial statements. The company continued to take a number of measures to monitor, minimise and mitigate the adverse impacts of COVID-19, such as:

- Implementation of cost containment measures and allocating funds to expenses based on priority through deferring, reducing and elimination of non-critical expenditure.
- Strict implementation of safety and health measures for employees such as social distancing, working from home, testing of employees, availing personal protective equipment (PPE) to staff and regular sanitisation of offices and work stations.
- Staff rotation to ensure decongest work places and decrease new infections.
- Vaccination of employees (99% of employees vaccinated).
- Advance ordering of critical network material, supply chain substitution where possible and securing funding early to ensure adequacy of critical supplies for the duration of the lockdown.
- Engagement of suppliers for flexible payment terms that were Covid-19 sensitive.
- Aggressive credit control measures and negotiation of early settlements with debtors.
- Succession and critical skills plans to minimise negative impacts in the event of critical employees incapacitated by the virus.
- Infrastructure requirements including IT hardware and software required to ensure continuity of operations for critical employees working from home.

Business continues to function well and uninterrupted. Given the evolving nature of COVID-19, uncertainties will remain. However, the company is unable to reasonably estimate the future impact of COVID-19.

Management is of the view that the company will continue to operate as a going concern in a foreseeable future.

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