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CORPORATE PROFILE

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BOARD OF DIRECTORS

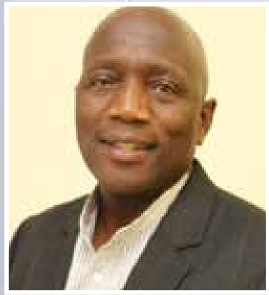
Mr. O. Bvute - Chairman
Maj. Gen. (Rtd.) S. S. Khumalo - Vice Chairman
Mrs. D. Sibanda - Non-Executive
Dr. N. Saungweme- Non-Executive
Mr. F. Shavi- Non-Executive
Mr. W. Marufu- Non-Executive
Mr. T.R. Tanyanyiwa- Non-Executive
Mr. R. T. Chinembiri - Ministry's Representative on the Board

BOARD MEMBERS

Mr. O. Bvute
Board Chairman

Maj. Gen. (Rtd) S. S. Khumalo
Vice Chairman

Dr. N. Saungweme
Board Member



Mr. F. Shavi
Board Member

Mrs. D. Sibanda
Board Member

Mr. T R. Tanyanyiwa
Board Member

Mr. W. Marufu
Board Member

Mrs O Dangwa
Company Secretary

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BOARD COMMITTEES

Technical Committee
F. Shavi (Chairman), S. S. Khumalo, W. Marufu, R. T. Chinembiri, B. Sirewu

Human Resources Committee
N. Saungweme (Chairperson), S. S. Khumalo, T. R. Tanyanyiwa, R. T. Chinembiri
A.D. Goba

Risk Committee
D. Sibanda (Chairperson), S. S. Khumalo, F. Shavi, C. Nyamutswa

Legal Committee
T. R. Tanyanyiwa (Chairman), S. S, Khumalo, D. Sibanda, C. Nyamutswa

Audit Committee
W. Marufu (Chairman), C. M. Ruzengwe, T. R. Tanyanyiwa

Finance Committee
S. S. Khumalo (Chairman), O. Bvute, N. Saungweme, R. T. Chinembiri
B. Chiripanhura

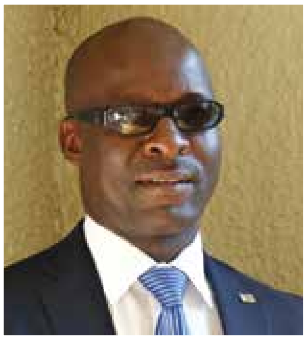
EXECUTIVE MANAGEMENT

Dr. G. K. Machengete
Director General

Mr. A. Marisa
Deputy Director General

Mr B. Chiripanhura
Director Finance

Mr. B. Sirewu
Director Technical Services



Mr. K. Dewera
Director Postal & Courier Services

Mrs C. Nyamutswa
Director Legal Services

Mrs. H. Mutseyekwa
Director Economics, Tariffs & Competition

Mrs. A. D. Goba
Director Corporate Services

MANDATE

The Postal and Telecommunications Regulatory Authority of Zimbabwe is responsible for the licensing and regulation of postal and telecommunications services in Zimbabwe.

FUNCTIONS

The functions of the Authority as outlined in the Postal and Telecommunications Act [Chapter 12:05] are as follows:

(a) To ensure the provision of sufficient domestic and international telecommunication and postal services throughout Zimbabwe on such terms and conditions as the Authority may fix;

(b) To ensure that any person by whom any telecommunications or postal service falls to be provided is able to provide these services at rates consistent with the provision of an efficient and continuous service and the necessity of maintaining independent financial viability;

(c) To promote the development of postal and telecommunication systems and services in accordance with practicable recognised international standards and public demand;

(d) To exercise licensing and regulatory functions in respect of postal and telecommunication systems and services in Zimbabwe, including the establishment of standards and codes relating to equipment attached to telecommunication systems;

(e) To exercise licensing and regulatory functions in respect of the allocation and use of satellite orbits and the radio frequency spectrum in Zimbabwe for all purposes, including the establishment of standards and codes relating to any matter in connection therewith;

(f) To secure that reasonable demands for postal and telecommunication services are satisfied;

(g) To promote the interests of consumers, purchasers and other users, in respect of the quality and variety of postal and telecommunications services provided and telecommunication apparatus supplied;

(h) To maintain and promote effective competition between persons engaged in the provision of postal and telecommunications services and any activities connected therewith;

(i) To monitor tariffs charged by cellular telecommunication, postal and telecommunication licensees with a view to eliminating unfair business practices among such licensees;

(j) To promote and encourage the expansion of postal and telecommunications services;

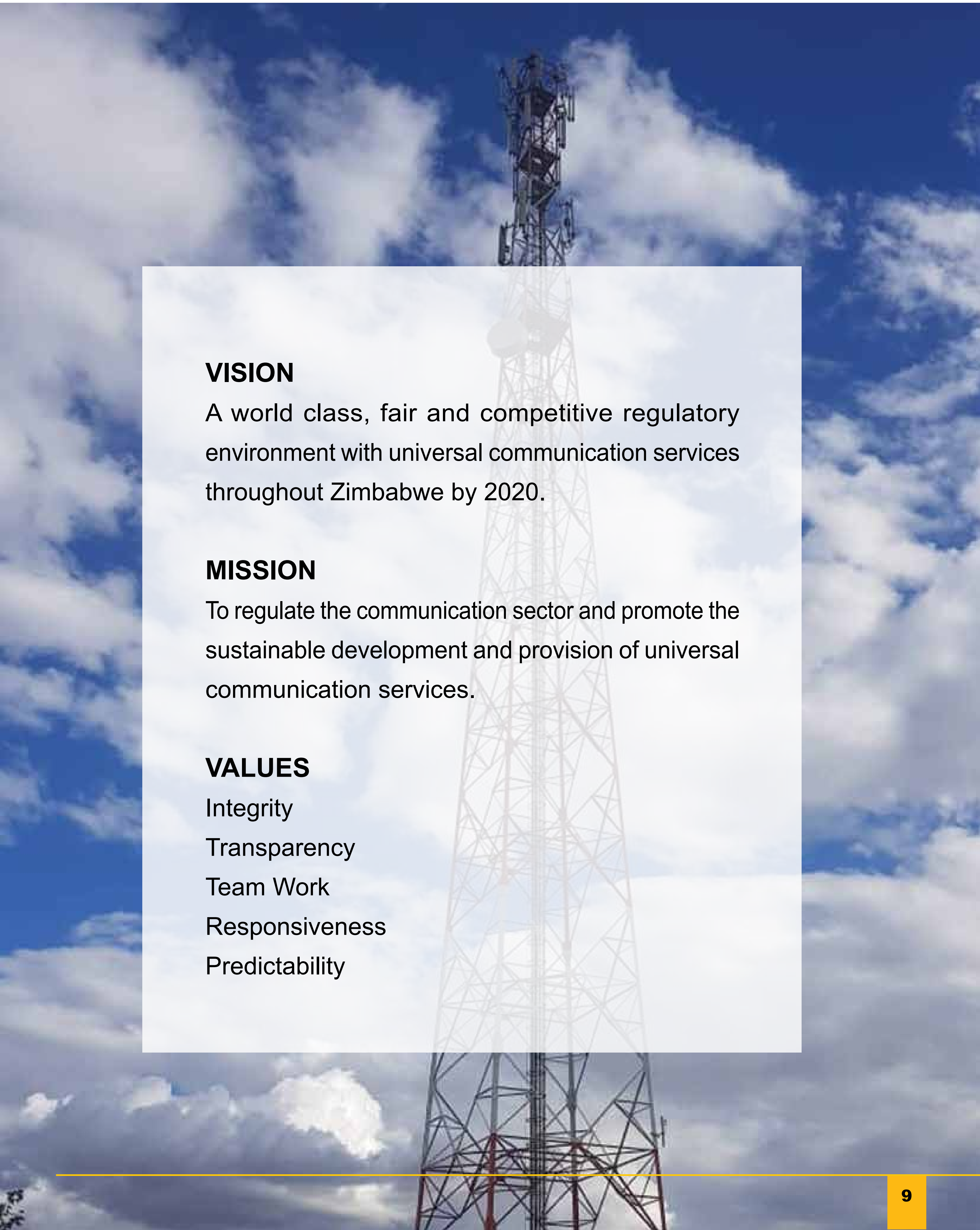
(k) To further the advancement of technology relating to postal and telecommunication systems and services;

(l) To represent Zimbabwe internationally in matters relating to postal and telecommunications services;

(m) To establish, approve or control a national telephone numbering plan for the purpose of ensuring that telephone numbers are allocated in an efficient and non-discriminatory manner;

(n) To promote and control the provision of international transit services by persons providing telecommunication services in Zimbabwe;

(o) To advise the Minister on all matters relating to postal and telecommunication systems and services.



VISION

A world class, fair and competitive regulatory environment with universal communication services throughout Zimbabwe by 2020.

MISSION

To regulate the communication sector and promote the sustainable development and provision of universal communication services.

VALUES

Integrity
Transparency
Team Work
Responsiveness
Predictability

Chairman’s Statement • Postal & Telecommunications Regulatory Authority of Zimbabwe

O. Bvute (Mr)
Board Chairman

INTRODUCTION

Despite the harsh economic conditions during 2017, the Authority surpassed its revenue target by 26%. Operating costs were contained through various efficiency measures which resulted in 27% savings on the budgeted expenditure to achieve a healthy surplus.

DELIVERING OUR MANDATE

The Authority weathered the economic storm in 2017 and experienced a healthy working capital position with revenue targets surpassed by 26%. Total revenue for 2017 was US$31.9 million. A surplus of US$13.5 million at the end of the financial year was recorded courtesy of enhanced cost containment initiatives by Management.

With regards to sector performance, mobile and internet subscriptions increased in 2017 while the number of active fixed telephone lines decreased. While there was an increase in data and internet usage in 2017, there was a decline in voice traffic. Revenue generated by the sector increased in 2017 mainly as a result of the upsurge in the usage of data and internet services.

In order to protect and safeguard the health of both consumers and staff members of the operators, the Authority came up with regulations on Human Exposure to non-ionising Electromagnetic Field Radiation which set maximum emission levels from telecommunications equipment.

After realising that operators were struggling to comply with the law which required them to pay initial and renewal licence fees on or before the issuance of the licence, the Authority amended the regulations on licensing in order to give the Authority discretion in setting timeframes for payment of initial and renewal licence fees. In 2017, in line with its mandate, the Authority penalised mobile network operators for breaching Quality of Service standards.

OUTLOOK

The Authority`s financial position is expected to remain solid in 2018 as good corporate governance practices are enhanced.

APPRECIATION

On behalf of POTRAZ, I extend our gratitude and thanks to the Minister of Information Communication Technology and Cybersecurity, Honourable Supa Mandiwanzira for his guidance. We are also grateful to other Ministries and Government entities for their support.

I also extend my gratitude to fellow Board Members, Committee Members, the Director General, Management and Staff for their commitment.

O Bvute (Mr)
Board Chairman

Chairman's Statement • Universal Service Fund (USF)

INTRODUCTION

During the year ended 31 December 2017, the Universal Service Fund (USF) continued with the roll out of projects aimed at extending postal and telecommunications services to both unserved and underserved areas of Zimbabwe.

DELIVERING OUR MANDATE

Despite the economic challenges experienced in 2017, the revenue for the USF performed above expectation by 11%. Operating expenses were contained and 79% savings were achieved against our 2017 budget. An operating surplus of US$14.9 million was realised for deployment to meet the USF`s mandate.

The Board of Trustees made a major advance towards an investment during the year which saw the USF depositing US$19.1 million towards the acquisition of 60% of Telecel International, the shareholder of Telecel Zimbabwe. The acquisition significantly strengthened the USF's Statements of financial position from US$21.4 million in 2016 to US$32.1 million in 2017.

Another key strategic thrust for the USF was towards the provision of internet access to the underserved communities and the disadvantaged citizenry. This tactical drive saw the deployment of more than US$7.3 million towards the construction of Community Information Centres (CICs) across the country, internet connectivity for rural schools and provision of computers for e-learning in many schools.

OUTLOOK

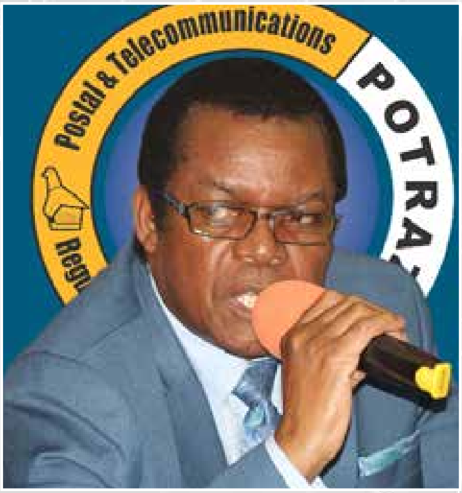
The USF's cash flow position is expected to be tight due to prior investment commitments. The USF is therefore expected to leverage its operations on advances until it clears its commitments.

APPRECIATION

I extend my gratitude to the Minister of Information Communication Technology and Cyber Security for policy guidance. I also thank my fellow Board of Trustees, the Director General, Management and Staff for their commitment towards achieving the USF's targets.

O. Bvute (Mr)
Board Chairman

Director General's Report • Postal & Telecommunications Regulatory Authority of Zimbabwe



G. K. Machengete (Dr)
Director General

INTRODUCTION

I hereby present my report of the Postal and Telecommunications Regulatory Authority of Zimbabwe for the year ended 31 December 2017.

OPERATING ENVIRONMENT

The year 2017, as in previous years, was characterised by liquidity constraints and deteriorating foreign currency shortages. Investment in the sector was, therefore, depressed given the sector's dependency on foreign equipment for new infrastructure and maintenance. The dynamic developments and fast-changing technological advances added pressure to the challenges that bedeviled the sector.

SECTOR PERFORMANCE

The Authority continued to monitor developments in the sector with the aim of fostering growth and universal access to postal and telecommunication services. The key trends observed in the year 2017 were as follows:

Growth in mobile and internet subscriptions and a decline in fixed subscriptions

The total number of active fixed telephone lines declined by 13.6% to record 264,150 from 305,720 recorded in 2016. As a result, the fixed tele-density declined from 2.4% recorded in 2016 to reach 1.9% in 2017. Active mobile subscriptions increased by 9.4% to reach 14,092,104 in 2017 from 12,878,926 recorded in 2016; As a result, the mobile penetration rate increased by 7.9% to reach 102.7% in 2017 from 94.8% recorded in 2016. The total number of active internet subscriptions increased by 3.7% to reach 6,971,617 in 2017 from 6,721,947 subscriptions recorded in 2016. As a result, the internet penetration rate increased by 0.8% to reach 50.8% in 2017 from 50% recorded in 2016. Fibre internet registered the highest growth in active subscriptions of 59.7% to reach 31,455 in 2017 from 19,698 recorded in 2016.

Growth in data and internet usage and continued decline of voice traffic

Total voice traffic declined by 5.7% to record 4,400,994,563 minutes in 2017 from 4,666,909,037 minutes recorded in 2016. This is the fourth consecutive year in which a decline in voice traffic has been recorded. However, the rate of decline has reduced from 20% recorded in 2016. The trend of declining voice traffic is not peculiar to Zimbabwe, but is a global phenomenon. The substitution of traditional voice with Over The Top (OTT) text and voice is attributed to the general decline in voice traffic. On the other hand, mobile internet and data usage increased by 89.8% to record 15.4 billion megabytes in 2017 from 8.1 billion megabytes of data consumed in 2016. Used incoming international bandwidth capacity also increased by 107.9% to record 47,779Mbps from 32,645Mbps recorded in 2016.

Growth in sector revenue

The year 2017 marked an upturn in sector revenues from the depressed growth experienced since 2014. Total telecommunications revenue increased by 11.2% to record US$1,109,899,246 from US$998,094,747 recorded in 2016. Despite growth in other markets, the fixed telephone network registered a decline of 0.02% to record US$116,571,070 from US$116,594,174 recorded in 2016. Mobile revenues increased by 17.6% to record US$849,880,488 from US$722,934,718 recorded in 2016. Revenues by Internet Access Providers registered the biggest growth rate of 17.8% to record US$186,843,531 from US$158,565,855 recorded in 2016. The growth in telecommunications revenue is attributed to the upsurge in the consumption of data and internet in the country.

Director General's Report • Postal & Telecommunications Regulatory Authority of Zimbabwe *(Continued)*

Market structures remained relatively unchanged

Market structures remained relatively unchanged across postal and telecommunications markets in 2017. The list of the licensed operators in the various markets as at 31 December 2017, is provided in the following table:

Table 1: Licensed Operators as at 31 December 2017

Market	Service Description	Licensed Operators
Fixed Telephone Service	Fixed Voice and Fixed Internet Services	1. TelOne
Mobile Cellular Services	Mobile Voice and Internet Services	1. Econet 2. NetOne 3. Telecel
Internet Access Providers (Class A)	Data and Internet Services	1. Africom 2. Aptics 3. Aquiva 4. Dandemutande 5. Liquid 6. Pecus 7. Powertel 8. Telecontract 9. TelOne
Internet Access Provider (Class B)	Data and Internet Services	1. NetOne
Postal Services	Postal Services	1. ZIMPOST
Courier Services	Domestic and International Courier Services	1. DHL 2. FEDEX 3. CourierConnect 4. Unifreight/Swift 5. Innscor Transport Company t/a Overnight Express 6. United Parcel Services 7. Skynet

STRATEGIC THRUST

Implementation of the Authority's strategic plan for the period 2014 to 2018 continued. The Authority's plan is based on the following Key Result Areas: regulation, licensing and enforcement, sector viability / competitiveness; universal access and quality of service; consumer protection; corporate governance and organisational performance and; innovation, research and development.

REGULATORY AND COMPLIANCE ISSUES

In pursuance of its regulatory mandate, the Authority drafted the following regulations which were promulgated in 2017.

(a) The Postal and Telecommunications (Human Exposure to non-ionising Electromagnetic Field Radiation) Regulations 2017 (Statutory instrument 130 of 2017)

These Regulations provide for maximum emission levels from telecommunication equipment in order to safeguard workers and the public. Modalities to implement and enforce the regulations are underway.

(b) The Postal and Telecommunications (Licence Registration and Certification (Amendment) Regulations, 2017 (Statutory instrument 131 of 2017)

This amendment to the principal regulations was introduced to afford the Authority flexibility and discretion in stipulating the time frame for payment of initial or renewal licence fees by operators. Before this amendment, all initial or renewal licence fees were payable on or before issuance of the licence. The situation was not tenable considering the economic challenges faced by the country.

The Authority continued to discharge its regulatory functions including licensing and enforcement. Market compliance was closely monitored using facilities that the Authority has invested in. The Authority has six (6) fixed spectrum monitoring stations, three (3) mobile monitoring units and two (2) Quality of Service monitoring stations.

The Authority continued to monitor the performance of network operators in terms of Quality of Service (QoS). The Authority issued three major determinations on enforcement of QoS standards. The three (3) mobile operators namely Econet, Telecel and NetOne were penalised as follows during the first quarter of 2017 for failing to meet Quality of Service standards:-

Table 2: Quality of Service Penalties

Econet	NetOne	Telecel
US$73,604.28	US$10,892.89	US$8,856.07

Further into the year, Operators were served with warnings and were granted grace periods to address challenges afflicting their respective networks. On a monthly basis, performance statistics were shared with Operators to alert them of their shortcomings. In spite of foreign currency challenges, there was a general positive trend in QoS performance. Operators aggressively engaged in network optimisation strategies that did not need new investments in their networks. As a result, QoS improved during the second half of the year.

Coverage audits were conducted on a quarterly basis to track network rollout against targets set out in Operator Licences. During the year Econet and NetOne significantly improved their respective 3G and 4G network coverages. Econet managed to introduce UTRAN 900 (3G for the 900MHz band) following assignment of additional spectrum in that band. The move resulted in significantly improved rural coverage for 3G. NetOne also managed to introduce 3G on more that 90% of their sites. Telecel is yet to rollout 4G using the spectrum they were assigned in the 1800MHz band.

To further enhance network coverage, the Authority initiated a coverage extension project, namely the Multi-Operator Radio Access Network (MORAN). Designs for the project were concluded in 2017 and procurement processes were initiated.

The Authority had some of its Executive Directors working as part of the Expert Group reviewing the International Telecommunications Regulations and has through them made valuable written contributions to the process.

The Authority also prepared a contribution on the inclusion of Child Protection in the Declaration made by International Telecommunications Union Member States at the World Telecommunications Development Conference (WTDC) held in Argentina in 2017. The contribution was supported by the whole of Africa and was included in the current WTDC Declaration which will govern ICT Development from 2018-2021.

CONSUMER PROTECTION

In 2017, the Authority carried out consumer education and awareness campaigns through several platforms such as road shows and live radio broadcasts. The aims of the campaigns were to:

- Educate consumers on their rights and responsibilities.
- Educate consumers on the complaints handling procedures.
- Raise awareness on internet safety for children.
- Raise awareness on the role of the Authority in protecting the interest of consumers of postal and telecommunication services.

Director General's Report • Postal & Telecommunications Regulatory Authority of Zimbabwe *(Continued)*

The table below shows the areas covered and dates for the 2017 roadshows.

Table 3: Consumer Education and Awareness Campaigns Held

PROVINCE	AREAS COVERED	DATES
Midlands Province	Mataga, Zvishavane, Zhombe, Empress Mine, Gokwe, Chitekete, Nembudziya and Kuwirirana	8 to 13 May
Mashonaland West, Mashonaland East and Manicaland Provinces	Mamina, Mubayira, Mahusekwa, Wedza, Sadza, Murambinda, Nyazura, Headlands and Chiendambuya	17 to 21 July
Matabeleland North Province	Nkayi, Tslolotslo, Jotsholo, Gwayi, Dete, Kamativi and Binga	18 to 22 July
Matabeleland South Province	Beitbridge Mashakada Shops, Dulibadzimu Stadium	14 to 15 November

The roadshows were a success as the outreach exceeded 10,000 consumers. The roadshows were also broadcasted live on radio to ensure they reached both the captured audience as well as millions of listeners.

The Authority attended to twenty-two (22) complaints from postal and telecommunication consumers and operators in 2017. This represents a 50% decline from the forty-one (41) complaints handled in 2016.

Details of the complaints are shown in the table below:

Table 4: Consumer Complaints (January to December 2017)

No.	Nature of complaint and date received	Respondent Operator / Organisation	Complaint Resolution Status
1	Poor Quality of Service in Hwedza – 17 January 2017.	NetOne	NetOne was directed to improve Quality of Service and abide by the Quality of Service Regulations.
2	Ecocash API application – 18 January 2017.	Econet	Resolved. Econet engaged the consumer and the issue was resolved.
3	Ecocash failed transaction resulting in $46.78 deduction - 22 January 2017.	Econet	Referred to the Reserve Bank of Zimbabwe (RBZ). Resolved.
4	Premature disconnection of 15GB of which only 11GB were used – 13 January 2017.	ZOL	Resolved. ZOL compensated the consumer.
5	Double charging of ADSL account via Ecocash Lucky Mbira – 24 February 2017.	Econet	Resolved. Transaction reversed.
6	POTRAZ Toll free number not working – February 2017.	TelOne, POTRAZ	Resolved. TelOne attended to the switchboard.
7	Failed Ecocash ZESA payment, $5 debited – 10 February 2017.	Econet	Resolved. The $5 token was credited.
8	Billing complaint – 28 April 2017.	Powertel	Resolved. Powertel presented detailed billing statement with no anomalies. The complainant was appraised.
9	Anti-competitive practices – 3 May 2017.	Econet	Explanation received from Econet and complainant was appraised.
10	Data bundle expiry – 26 May 2017.	Econet	Resolved. It was explained that the one- week expiry is only a window period. The bundles can be exhausted before a week depending on usage.
11	Poor Service at Econet Call Centre.	Econet	Resolved. Econet engaged with customer.

No.	Nature of complaint and date received	Respondent Operator / Organisation	Complaint Resolution Status
12	Loss of $500.00 Ecocash transaction – 7 April 2017	Econet	The customer reported the case to the police.
13	Failed Ecocash $2 airtime transaction – 8 June 2017	Econet	Resolved. The case was forwarded to RBZ who said they resolved the case.
14	Slow Internet speed – 2 July 2017	Powertel	Resolved. The customer was reassigned to another IP pool.
15	Complaint on update of domain registration – 21 July 2017	TelOne	Resolved the case of domain registration satisfactorily.
16	Loss of airtime via voice mail – 7 August 2017	Econet	Econet resolved the complaint
17	ZESA token Ecocash refund – 24 August 2017	Econet	The case was referred to RBZ. The complainant was refunded.
18	Erroneous Ecocash transfer ($1) – 9 November 2017	Econet	Case referred to RBZ. Refund done.
19	Erroneous Ecocash ZINARA Tollgate account payment – 9 November 2017.	Econet	Case referred to RBZ. Transaction revisited and corrected.
20	Call Centre not accessible – 9 November 2017	Econet	The complaint was raised with Econet and they advised that they are introducing a web self-care, and trouble ticketing system to improve accessibility.
21	Query on the justification for the expiry of data – 23 November 2017.	All telecommunications operators that offer data services	The consumer was advised that data bundles have window periods to enable operators to plan and manage telecommunications networks.
22	Unsuccessful Ecocash bank to wallet transfer – 29 November 2017.	Econet	Referred to Econet and RBZ.

TARIFF REGULATION

The tariffs in the market were based on the results of Long Run Incremental Cost (LRIC) models that were modelled in 2014 using 2012 cost information. The Authority having noted that the 2014 cost study results were no longer reflective of the actual cost of providing services, re–engaged Detecon, the consultant that did the 2014 costing, to update the cost models using 2016 cost information. In total, nine models were reviewed. This comprised of three top-down models (based on the existing networks) for each of the Mobile Network Operators; one bottom-up model (based on a hypothetically efficient network) for Mobile Network Operators (MNOs); one top-down model for the fixed network; and one bottom-up model for Fixed network. For the Internet Access Providers, two top-down models as well as one bottom-up model were modelled.

The main findings of the updated LRIC costing exercise that was completed in June 2017 were as follows:-

- Zimbabwe was in a difficult economic situation and all operators had challenges in accessing foreign currency, which had an effect when they wanted to invest into technology that was imported.
- The technology related costs were generally higher when compared to international experience due to high prices for technical equipment that operators faced when they sourced network equipment from international vendors.
- Network operators were yet to modernise their networks when compared with international standards.
- Infrastructure duplication was still a problem and, might lead to inefficient markets.
- Traditional services like voice and SMS were still the dominant services provided by mobile and fixed operators. The network technology in place also provided more sophisticated data services over 3G radio, ADSL, VPN or leased lines.
- The data volumes for mobile operators were very low in comparison to operators in more sophisticated markets like Europe, North America and some Asian countries. Coverage for 3G and 4G networks was lower than in sophisticated markets; however, this could improve with economic upturn and operator investment.
- Financial and regulatory reporting systems appeared professional for all the operators.
- Collocation and network sharing (leasing lines) seemed to be underdeveloped. Radio Access Network sharing for the smaller

Director General's Report • Postal & Telecommunications Regulatory Authority of Zimbabwe *(Continued)*

operators was essential for them to be able to survive in the market.

- Over The Top services (OTTs) contributed to a decline in the consumption of traditional services. All operators were experiencing a decline in voice and messaging. However, OTTs had also contributed to a steep increase in data services. With time, it was expected that the consumption of data services would outweigh the decline in the consumption of traditional voice services.

The Authority proposed to review the charges for Unstructured Supplementary Service Data (USSD), out of bundle mobile data and national interconnection rates in line with the results of the updated LRIC cost models that were concluded in June 2017. Tariffs for mobile voice and SMS would remain at their current levels, whilst fixed data and voice services would be left to market forces subject to regulatory approval. The proposals followed a consultative process that was done with the operators on the LRIC results implementation. The results of the LRIC models update project will be implemented in 2018.

In 2017, the Authority together with other regulators in the region commenced work on the implementation of Phase III of the SADC Home and Away Roaming (SHAR) Project. The project commenced in 2013 following the directive by SADC Ministers responsible for Information Communication Technologies to regulators and telecom operators to look into lowering roaming tariffs within the SADC region. The three (3) mobile operators in Zimbabwe i.e. Econet, NetOne and Telecel, have fully implemented Phase I of the project, which entailed information disclosure, transparency and data collection, as well as Phase II of the project that involved reducing roaming tariffs using a glide path that was agreed by SADC countries. Phase III of the SHAR project which entails the development of a generic SADC roaming cost model commenced in November 2017 with CRASA issuing a Request For Proposal (RFP) to identify a consultant to develop the costing model. The RFP was advertised internationally in compliance with existing CRASA procurement procedures and attracted ten (10) proposals as at the closing date of 30 November 2017. The tender was awarded to MARPIJ Regulation and Technology at a Contract Price of US$120,000 subject to successful negotiations with CRASA. The SADC roaming cost model will be produced in 2018.

SPECTRUM RESOURCES

The Authority availed spectrum for mobile broadband in the 800 MHz, 900 MHz and 2.3 GHz bands. Operators are in the process of planning and procuring systems that will provide mobile broadband utilising the availed spectrum.

The inaugural edition of the Zimbabwe National Frequency Allocation Plan (ZNFAP) was completed during 2017 and was ready for launch by the Honourable Minister of ICT and Cybersecurity. The official launch of ZNFAP was postponed to January 2018.

Construction of Mutare fixed monitoring station commenced late 2017 and is expected to be completed and commissioned in 2018.

PROJECTS

1. **POTRAZ Headquarters Project**
   The Authority continued with the construction of its office complex at Mount Pleasant Business Park. The Authority took a number of measures to facilitate completion of the Headquarters project. The Authority managed to obtain a certificate of partial occupation from City of Harare and moved in to occupy the North Wing on 18 September 2017. Civil works and works to complete the South Wing continued and the project is targeted for completion in 2018.

2. **Harare Emergency Response Centre**
   A team of contractors from the Zimbabwe Republic Police completed the refurbishment of the equipment room for the Harare Emergency Response Centre. The foreign currency rationing that the country is experiencing has held up procurement of telecommunication equipment for the centre.

3. **ICT Access and Use by Health and Educational Institutions**
   In 2017, ZIMSTAT was engaged to conduct the Census on ICT Access and Use by Health and Educational Institutions. ZIMSTAT carried out the fieldwork exercise and data collection for the census on ICT Access and Use by all schools, colleges, universities, hospitals and clinics in Zimbabwe. Data cleaning, data entry and data analysis was done in November 2017, followed by the report writing in mid-December 2017. The census reports for the Education and Health institutions are expected to be completed in 2018.

4. **Regional Internet Exchange Point**
   The Regional Internet Exchange Point (RIXP) was launched on 7 November 2017 and is now operational. The Authority was working on the next phase which focused on capacity building to train local engineers and connecting other stakeholder groups, including Internet Service Providers, Academic and Research Institutions, Mobile Network Operators, Web Hosting Companies and Government Departments. The phase also focused on efforts to grow the IXP into a Regional IXP, local hosting of the Domain Name System (DNS) root server, as well as forming the association that would run the exchange.

5. **Computer Incidents Response Team**
   The Cooperation Agreement for setting up the National Computer Incidents Response Team (CIRT) was signed between the ITU and the Authority. In terms of the Agreement, the Authority will meet all the financial obligations whilst the ITU will provide technical support. The project had, however, not yet taken off the ground due to the shortage of foreign currency. The Authority submitted an application for the project to be considered for payment by the Reserve Bank of Zimbabwe.

6. **Migration from Internet Protocol Version 4 (IPv4) to Internet Protocol Version 6 (IPv6)**
   Installation of the IPV6 test bed was completed with assistance from the ITU, who sent a consultant to Harare in December 2017 to set up the test bed. The test bed was now online and the Authority was working on a program to publicise the test bed, so that stakeholders could start benefiting from it.

7. **Model Post Office**
   Work on coming up with a Model Post Office where all Government services could be offered to the public entailed study tours to the Czech Republic, Hungary and Malaysia by a team comprising Ministry of ICT and Cybersecurity, OPC, POTRAZ and ZIMPOST officials. This international study was complimented by a local tour of ZIMPOST facilities in Bulawayo and Harare. Following the successful conclusion of these enriching tours, project implementation will commence in February 2018.

8. **Automated Quality of Service Monitoring System**
   The State Procurement Board (SPB) approved purchase of the postal Automated Quality of Service Monitoring System (AQOSMS) through a targeted informal tender, since the system is only available from the Universal Postal Union (UPU). Contract negotiation was in progress.

9. **Community Information Centres**
   Twenty-six (26) Community Information Centres (CICs) were operational countrywide, covering all the 10 provinces and offering internet and other ICT related services to communities. In 2017, ten (10) of these CICs started offering computer training to their local communities and these were Bindura, Chikato, Chinhoyi, Gokwe, Gweru, Jahunda, Lupane, Maphisa, Mpandawana and Murombedzi. From the period 23 October 2017 to 31 December 2017, a total of 4,114 people underwent training at the CICs.

HUMAN RESOURCES

In 2017, the staff complement was 88 employees. The Authority continued to implement staff retention strategies in line with the approved Conditions of Service and this resulted in staff retention of 100%.

The Authority is fully committed to development and training of employees at all levels within the organisation. To that effect the approved Learning and Development Policy was operationalised.

The industrial relations climate remained cordial throughout the period under review.

The end of year function was graced by the Permanent Secretary for the Ministry of ICT and Cybersecurity, the Board Vice Chairman and one Board Member. A total of 40 employees received long service awards ranging from 5, 10 and 15 years. The Director General's Worker of the Year Award was introduced in 2017 and four employees received prizes for outstanding performance.

CORPORATE SOCIAL RESPONSIBILITY

The Authority through its CSR programme set aside some funds to support a number of community projects and initiatives, which included the identification and purchase of building materials for Macha Primary School in Binga. The school, which operates under pole and dagga structures will benefit from the construction of a block of classrooms, a house for 4 teachers and a borehole upon completion of the project.

INTERNATIONAL COMMITMENTS

The Authority participated at meetings of, among other organisations, the African Telecommunication Union (ATU), the Communication Regulators Association of Southern Africa (CRASA), the Pan African Postal Union (PAPU), the African Advanced Learning Telecommunication Institute (AFRALTI), the ITU and the Universal Postal Union (UPU). The Authority was able to honour all of Zimbabwe's financial obligations with these organisations despite the foreign currency shortages.

The Authority was also able to finance the campaign for Dr Zavazava, who will be contesting for the elective post of the Director of the ITU Development Bureau (BDT). Zimbabwe participated at strategically selected international meetings where various campaign activities took place.

COMMEMORATIONS

The Authority commemorated the following key annual events on the ITU and UPU calendars:-

- The Girls in ICT Day was celebrated in Figtree, Matabeleland South Province, on 16 May 2017. Over 1,000 young girls from rural schools within the province attended the event. The objective of this commemoration is to encourage young women and girls to consider careers in the ICT sector from an early age. Telecommunication service providers seconded female senior management staff to inspire these girls to take up professions in the ICT industry using their personal stories and experiences.
- The World Telecommunications and Information Society Day was celebrated in Plumtree, Matabeleland South Province, on 17 May 2017.
- The World Post Day was celebrated in Beitbridge, Matabeleland South Province, on 15 November 2017. The top three national winners of the 2017 – 46th edition of the International Letter Writing Competition received their prizes during World Post Day celebrations.
- The Authority also exhibited at the following annual exhibitions which were used as platforms to educate the public and stakeholders about its mandate and services:-
  - The Zimbabwe International Trade Fair held in April 2017;
  - The Midlands Agricultural Show held in July 2017;
  - The Harare Agricultural Show held in August 2017; and
  - The Manicaland Agricultural Show held in September 2017.

FINANCIAL PERFORMANCE

The Authority was not spared from the liquidity crunch that characterised

Director General's Report • Postal & Telecommunications Regulatory Authority of Zimbabwe *(Continued)*

2017 as its operators struggled to remain up to date with their initial and monthly licence fees obligations. State Enterprises and Parastatals (SEPs) remained the Authority's biggest debtors after failing to meet their licence obligations. This resulted in 43% increase in net trade debtors compared to 2016. Without compromising service delivery, the Authority managed to contain expenses and spent US$17.2million, slightly more than the US$17.1million spent in 2016 despite the surge in prices witnessed during the last quarter of 2017. This was attained through austerity and various efficiency measures implemented. Resources that were not immediately required for projects and activities were invested on an average annual return of 4% and yielded total interest income of US$641,025. Thus, a surplus of US$13.5million was achieved as compared to the 2016 surplus of US$9.8million. The Authority therefore enjoyed healthy liquidity levels throughout the year which ended with cash resources of more than US$21.9million. The Statement of Financial Position (Balance Sheet) of the Authority was strengthened from US$93.3million in 2016 to US$109.2million.

Despite the impressive financial performance above, the Authority was unable to fully discharge its obligations to foreign service providers due to the acute shortage of foreign currency. The shortage of foreign currency and the drying up of the country's nostro accounts made it very difficult for the Authority to fully implement its infrastructure development programme. Of the US$12million earmarked for capital expenditure in 2017, only US$4.6million was deployed and many projects were deferred to 2018.

OUTLOOK

In line with political developments that occurred towards the end of 2017, the renewed spirit to re-engage the international community and the confidence that started to pervade the economy, 2018 can only see improved performance by the Authority.

APPRECIATION

The commitment by our line Ministry, Ministry of ICT and Cyber Security, the Board Members and all other stakeholders was highly appreciated as their collective efforts contributed significantly to the success of the Authority. My further appreciation goes to Management and Staff members for their unwavering commitment towards the Authority's discharge of its mandate.

G. K. Machengete (Dr)
Director General

1. INTRODUCTION

I hereby present my report of the Universal Service Fund (USF) for the year ended 31 December 2017.

2. OPERATING ENVIRONMENT

The acute foreign currency shortage that characterised 2017 negatively affected the USF's annual plans and activities. The USF experienced challenges in timely meeting foreign payments for imported materials to the extent that some projects could not be completed as schedule and were carried over to 2018. More than US$1.5 million worth of foreign currency applications were still outstanding at the Reserve Bank of Zimbabwe by the end of the year. Deployment of ICT products and services to people living with disabilities and other vulnerable groups was slowed down due to delays in forex allocations. Other service providers awarded contracts for the e-learning programme were equally affected by the foreign exchange challenges and failed to complete their projects on schedule and these projects spilled into 2018.

3. PROJECTS

a. Passive infrastructure for Geographical Network Expansion

The project involved the construction of 3 additional base station sites to extend the geographical coverage of mobile services to rural areas. The sites were Nemashakwe in Masvingo, Maitengwe in Matebeleland South and Chiunye in Mashonaland East provinces. The project was completed as scheduled.

b. Internet Protocol Microwave

The project involved the provision of microwave radios for backhauling traffic generated at the above established terminal stations to core networks. The project was completed as scheduled.

c. Telemedicine

The project was earmarked for completion in 2017 but could not be completed due to the delays at the International Telecommunications Union (ITU) in awarding the tender for the supply of Telemedicine Transportable Examination Station kits. The other challenge faced on the project was the non-allocation of foreign exchange by the Reserve Bank of Zimbabwe (RBZ) for the supply of power back-up diesel generators at the rural health centres. As a result the project has spilled into 2018.

d. Connectivity of 1,300 schools

When the tender was awarded, the price of equipment had increased due to the volatility of the foreign currency exchange rate. A contract variation to the project scope and payment terms was then proposed to accommodate the changes. During the same period the Ministry of Primary and Secondary Education (MoPSE), who are the beneficiary of the intervention, wrote to the project implementer (ZARNet) to cease all installation and by year-end the issue had not been resolved. The Authority could not consider the variation proposals before an amicable decision on the project was reached between ZARNet and the MoPSE. As a result the project spilled into 2018.

e. ICTs for People with Disabilities

The project was also affected by foreign currency allocation challenges by the RBZ for the procurement of assistive software for use by people with disabilities to facilitate access to ICT services. The request for foreign currency allocation was submitted in the second quarter of 2017 but to date, the allocation is still pending. The hardware was procured locally and was delivered. Training of the teachers on the use of the facilities can only start once the software is delivered and installed on the machines. The project is now scheduled for completion in 2018.

f. E-learning

The project is meant to bring contemporary learning resources to 50 rural schools by providing computer hardware and digital curriculum content on all subjects from Grade One to Advanced Level. The project also involves training of teachers on imparting lessons using digital platforms. A tender was floated for the supply and delivery of the requisite hardware, and although tender award was done, delivery of the equipment did not happen due to the foreign currency squeezes in the market. The project could not be completed and has spilled into 2018.

g. Community Information Centres (CICs)

The project was targeting the establishment of Community Information Centres (CICs) at post offices.

The following Provincial CICs were established in 2017: Dangamvura in Manicaland, Lupane in Matabeleland North, Jahunda in Matabeleland South, Gweru in Midlands, Chinhoyi in Mashonaland West, Bindura in Mashonaland Central, Nkulumane in Bulawayo and Dzivaresekwa in Harare. All the provincial CICs, save for Dzivaresekwa, were officially launched. Dzivarasekwa will be launched in 2018.

Many ordinary CICs were also established during the year.

4. FINANCIAL PERFORMANCE

The USF surpassed its budgeted income by US$1.5 million (11%) despite the continued erosion of its main cash flow stream, voice services. Over The Top services (OTTs) and other cheaper new services continued to erode the revenue from traditional services, thereby, threatening the sustainability of the USF's lifeline. However, against these odds, the USF collected revenue amounting to US$15.5 million in 2017. The USF's resources

Director General's Report • Universal Service Fund (USF) *(Continued)*

were boosted by an additional US$211 000 interest realised from investments. The total revenue generated in 2017 was 3% above the revenue generated in 2016. Operating expenses achieved savings of US$2.3 million over the budget of US$3 million (79%) due to a combination of efficiency measures implemented and delays in beefing up the human resources for the USF in line with delays experienced on commencement of some key projects. Thus US$14.9 million was available as operating surplus for disbursement to various projects to reduce the digital divide between the underserved and the served areas. More than US$7.3 million was disbursed during the period under review. Major deployments were towards e-learning (US$1.9 million), e-Governance (US$1.3 million) and Community Information Centres (US$3.5 million).

The USF achieved a surplus of US$7.6 million which increased its Retained Income to US$26.5 million. A significant advance was committed towards the acquisition of 100% stake in Telecel International, a shareholder of Telecel Zimbabwe, on behalf of the Government of Zimbabwe. US$19 million was advanced for the investment and the balance is payable in instalments until 2020. The USF's working capital will be largely dedicated towards this investment till the obligation is cleared in 2020.

5. OUTLOOK

Given the USF's cash flow commitments in the next three years, it will rely on advances in order to discharge key projects under its mandate. The high demand for connectivity in marginalised communities will demand for external funding. However, the expected improvements in the economic outlook will cushion the financial impact of any loans that may be sourced by the USF.

6. APPRECIATION

My appreciation and gratitude go to the Minister and Ministry officials, the USF Board of Trustees and all other stakeholders for contributing towards the successes registered by the USF in executing its mandate. I would also want to extend my gratitude to the entire staff for their dedication to duty in fulfilling the USF's mandate.

G. K. Machengete (Dr)
General

Report of the Directors

The directors have pleasure in submitting their report, together with the audited financial statements for the twelve months ended 31 December 2017.

Directorate

The terms of office of Major General (Retired) S. S. Khumalo, Mrs D. Sibanda, Dr N. Saungweme, Mr F. Shavi and Mr W. Marufu who were appointed on 1 November 2015 expire on 31 October 2018 after serving for three years. Mr O. Bvute and Mr T. R. Tanyanyiwa were appointed on 15 April 2016 and their terms of office expire on 14 April 2019 after serving for three years.

Auditors

At the Annual General Meeting scheduled for 25 July 2018, the directors will fix the remuneration of the auditors for the past audit and confirm the appointment of auditors for the ensuing year. In terms of section 36 of the Public Entities Corporate Governance Act [Chapter 10:31], as well as section 81 of the Public Finance Management Act [Chapter 22:19], the Office of the Auditor General will audit or appoint the auditors for the ensuing year.

O. Bvute (Mr)
Board Chairman

G. K. Machengete (Dr)
Director General

Directors' Responsibility Statement

The Authority's Directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards (IFRS) and in a manner required by the Postal and Telecommunications Act [Chapter 12:05] 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, Directors are responsible for assessing the Authority'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 Authority or to cease operations, or has no realistic alternative but to do so.

The auditors are responsible for independently auditing and reporting on the financial statements. The financial statements have been examined by the Office of the Auditor General and their report is part of this Annual Report.

The annual financial statements have been prepared under the supervision of Mr B. Chiripanhura, the Director Finance. The Board of Directors assumes responsibility for the financial statements which they approved on 28 June 2018 and were signed on its behalf by the Board Chairman, Mr O. Bvute; the Director General, Dr G. K. Machengete and the Director Finance, Mr B. Chiripanhura.

The same Directors Responsibility Statement is applicable to the Universal Service Fund.

O. Bvute (Mr)
Board Chairman

G. K. Machengete (Dr)
Director General

B. Chiripanhura (Mr)
Director Finance

Board of Directors

All Directors were appointed by His Excellency the President in consultation with the Minister of ICT, Postal and Courier Services in terms of section 6 of the Postal and Telecommunications Act [Chapter 12:05].

The three-year term of office for Maj. Gen. (Rtd.) S.S. Khumalo, Mrs. D. Sibanda, Dr. N. Saungweme, Mr. F. Shavi and Mr. W. Marufu commenced on 1 November 2015, and shall end on 31 October 2018. The three-year term of office for Mr. O. Bvute (Chairman) and Mr. T.R. Tanyanyiwa commenced on 15 April 2016, and shall end on 14 April 2019. From 1 January 2018, the Board comprised seven (7) non-executive Directors, the maximum allowed in terms of the Postal and Telecommunications Act. The composition of the Board of Directors was in compliance with the Postal and Telecommunications Act with respect to the prescribed skills mix which included telecommunications, law, accountancy and administration.

The positions of the Chairman and the Director General are held by two distinct individuals and their respective duties and functions are defined in the Authority's Board Charter. The Chairman is responsible for leading the Board in setting up the strategy of the Authority. The Director General is responsible for leading the Management team in executing the day to day operations of the Authority in accordance with the direction set by the Board of Directors and in line with the internal policies and procedures.

Directors' Interests

Directors are required to declare, in writing, at the commencement of every meeting, whether they have any interest which could give rise to a conflict of interest with regards to any item on the agenda. All material conflicts of interests were duly declared.

Corporate Governance Compliance Statement

The Board subscribes to the need to conduct business in compliance with accepted corporate governance principles as stipulated in the Corporate Governance Framework for State Enterprises and Parastatals (2010) and the National Code on Corporate Governance Zimbabwe (2014) as well as all relevant legislation, relevant International Accounting Standards and other regional and international guidelines on corporate governance. In the 2017 financial year, the Authority complied with the laws of Zimbabwe and the Postal and Telecommunications Act, the principles of the Corporate Governance Framework for State Enterprises and Parastatals (2010) and the National Code on Corporate Governance Zimbabwe (2014) among other regulations.

The Postal and Telecommunications Act requires the Board of Directors to convene at least six meetings in a year. The Board Committees meet ahead of the normal Board meetings.

Delegation to Board Committees

In order to discharge its duties and responsibilities efficiently and effectively, the Board delegated specific responsibilities to Board Committees with the Board retaining the overall responsibility. During the year ended 31 December 2017, the Board constituted six standing Committees, namely the Technical Committee, the Human Resources Committee, the Risk Committee, the Legal Committee, the Audit Committee and the Finance Committee. Each Committee operates within Terms of Reference which define its composition, role and responsibilities. Every Committee comprises a majority of non- executive Directors and are chaired by a non-executive Director.

All Committees are required to meet once every two months and can convene special meetings as and when necessary.

Technical Committee

The Technical Committee is responsible, among other things for considering and recommending to the Board issues on:

i. Best practice in postal and telecommunications regulations;
ii. Applications to be licensed to offer services in terms of the Act;
iii. Competition and tariffs;
iv. Efficient utilisation of limited national resources of radio frequency spectrum and numbering; and
v. Consumer protection.

Human Resources Committee

The Human Resources Committee is responsible, among other things, for considering and recommending to the Board issues on:

i. Human resources strategy for the Authority
ii. Conditions of service, remuneration systems and other reward systems.
iii. Salary increases and other benefits awarded to employees of the Authority.
iv. Human resources policies.
v. Any material changes to the organisational structure of the Authority.

Risk Committee

The Risk Committee is responsible, among other things, for considering and recommending to the Board the following:

i. Risk management policy,
ii. Risk management strategy
iii. Risk management implementation plan
iv. Risk identification and assessment methodologies; and
v. Extent and effectiveness of integration of risk management within the Authority;

Legal Committee

The Legal Committee is responsible, among other things, for considering and recommending to the Board the following issues:

i. Current and prospective litigation;
ii. Compliance and enforcement;
iii. Legislative reviews and developments;
iv. Government Policy as regards the principal Act; and

v. The actions and judgments of management, in relation to legal advice, litigation, compliance and enforcement issues.

Audit Committee

The Audit Committee is responsible, among other things, for:

i. Reviewing significant accounting and reporting issues;
ii. Reviewing the annual financial statements, and considering whether they are complete, consistent with information known to committee members, and reflect appropriate accounting principles;
iii. Considering the effectiveness of the Authority's internal control system, including information technology security and control;
iv. Reviewing and approving the annual audit plan and all major changes to the plan; and
v. Reviewing the external auditors' proposed audit scope and approach, including coordination of audit effort with internal audit.

Finance Committee

The Finance Committee is responsible, among other things, for considering and recommending to the Board the following:-

i. The proper management of the Authority's finances through review of the Authority's Management Accounts and other periodic financial reports;
ii. Approval of the Authority's Budgets and any other financial statements requiring Board approval;
iii. Availability of adequate financial resources needed for the Authority to carry out its mandate;
iv. Approval of major capital expenditures and other major financial commitments by the Authority; and
v. Proper policies and internal control systems to safeguard the assets of the Authority.

Board Committee and Board Meetings Attendance

Attendance of Directors at both Board and Board Committee meetings in 2017 was as set out in the table below:-

Board Member's Name	Main Board POTRAZ 6 Meetings	Main Board USF 6 Meetings	Technical Committee 4 Meetings	Human Resources Committee 4 Meetings	Risk Committee 4 Meetings	Legal Committee 5 Meetings	Audit Committee 5 Meetings	Finance Committee 7 Meetings	Joint Finance and Human Resources 1 Meeting
Ozias Bvute	6	6	NM	NM	NM	NM	NM	4	Nil
Sibangumuzi S. Khumalo	6	6	4	4	4	5	NM	7	1
Doreen Sibanda	5	5	NM	NM	3	4	NM	NM	NM
Nancy Saungweme	5	5	NM	4	NM	NM	NM	6	1
Winstone Marufu	5	5	2	NM	NM	NM	3	NM	NM
Fradson Shavi	5	5	4	NM	3	NM	NM	NM	NM
Tinashe R Tanyanyiwa	6	6	NM	4	NM	5	4	NM	1
Gift K Machengete	6	6	3	3	3	2	NM	6	Nil
Clemence Ruzengwe*	NM	NM	NM	NM	NM	NM	4	NM	NM
Raymond T. Chinembiri**	5	5	4	4	NM	NM	NM	7	1
Biggie Chiripanhura	NM	NM	NM	NM	NM	NM	NM	7	NM
Baxton Sirewu	NM	NM	2	NM	NM	NM	NM	NM	NM
Avilla D Goba	NM	NM	NM	4	NM	NM	NM	NM	Nil
Caecilia Nyamutswa	NM	NM	NM	NM	4	5	NM	NM	NM

*= Audit Committee member only

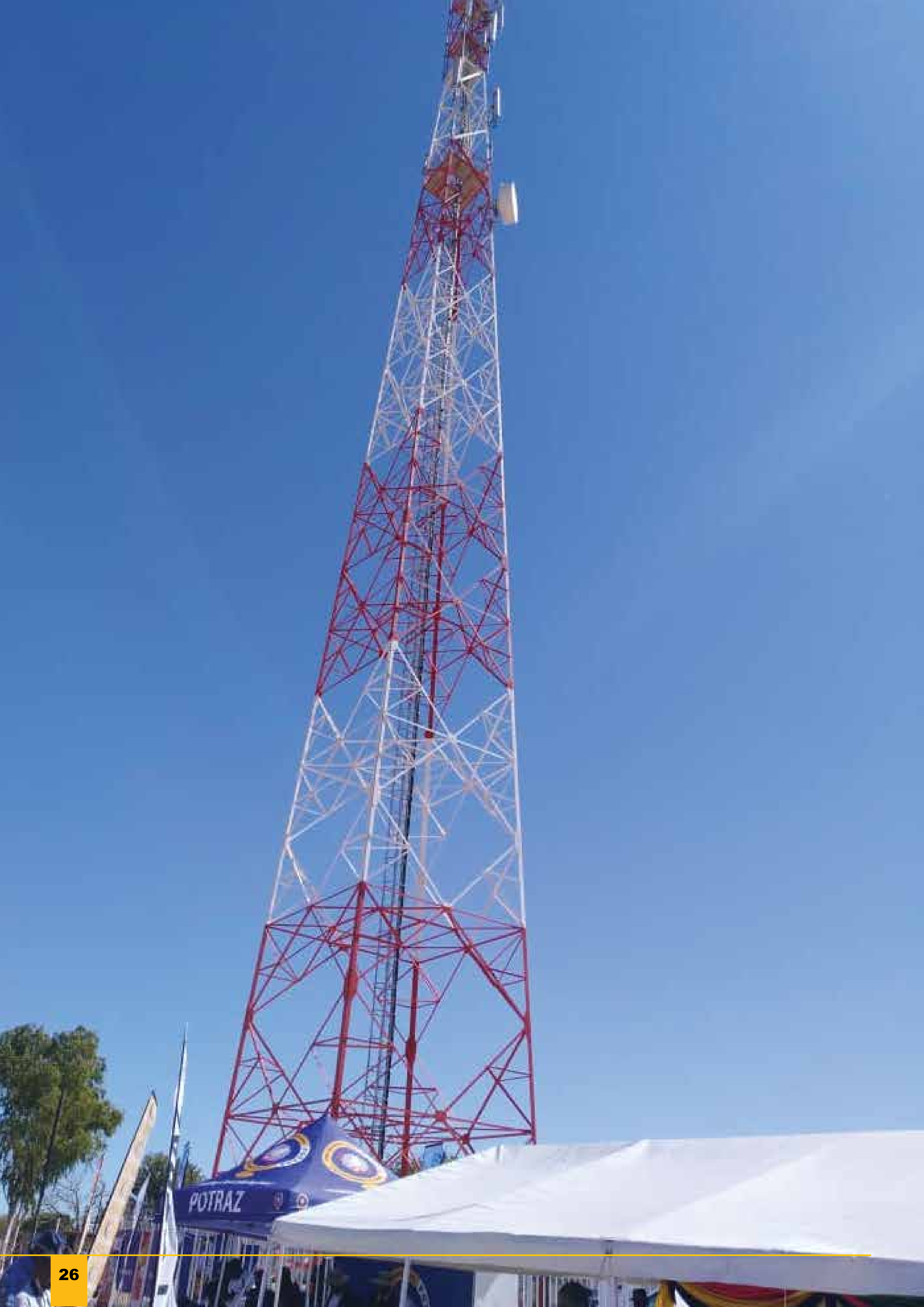
**=Ministry's Representative on the Board

NM= Not a member of the Board Committee in question

N.B. - Apologies were tendered for all meetings that were not attended by Board and Committee members.

This Corporate Governance Report is hereby signed by the Board Chairman.

O. Bvute (Mr)
Board Chairman


POTRAZ

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Office of the Auditor-General

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Ref: **SB 38**

REPORT OF THE AUDITOR-GENERAL

TO

THE MINISTER OF INFORMATION COMMUNICATION TECHNOLOGY AND CYBER SECURITY

AND

THE BOARD OF DIRECTORS

IN RESPECT OF THE FINANCIAL STATEMENTS OF

THE POSTAL AND TELECOMMUNICATIONS REGULATORY AUTHORITY OF ZIMBABWE

FOR THE YEAR ENDED DECEMBER 31, 2017.

Report on the Audit of the Financial Statements

Opinion

I have audited the financial statements of the Postal And Telecommunications Regulatory Authority Of Zimbabwe set out on pages 6 to 20, which comprised the statement of financial position as at December 31, 2017, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In my opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Postal and Telecommunications Regulatory Authority as at December 31, 2017, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

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 Postal and Telecommunications Regulatory Authority of Zimbabwe in accordance with the 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.

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 Postal and Telecommunications Regulatory Authority for the year ended December 31, 2017. These matters were addressed in the context of my audit of the Postal and Telecommunications Regulatory Authority 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.

Key audit matter	**How the matter was addressed in the Audit**
How the matter was addressed in the audit Valuation of property, plant and equipment. Refer to notes 3.2 and 4 of the financial statements. Reassessment of useful lives and determination of depreciation rates requires significant management judgement. The carrying amount and depreciation rates are reviewed annually by management with reference to current and forecast technical factors, therefore valuation of property, plant and equipment was considered a key audit matter. The carrying amount of the Authority's property, plant and equipment as at December 31, 2017 was \$36 091 095 after recognising depreciation amounting to \$1 674 600 during the year.	My procedures in relation to managements' 'assessment of the valuation of property, plant and equipment included: • Evaluating management's estimates regarding useful lives and residual values of assets in relation to the Authority's historical experience and industry practice. • Discussions with management and inspection of documentary evidence of the state of the assets. • Assessing the methodology used by management to estimate the useful life of the assets taking into account the Authority's future plans. Based on the evidence gathered, I found management's assumptions in relation to useful life and carrying amount reasonable. The related disclosures are considered to be appropriate.

Key audit matter	How the matter was addressed in the Audit
Valuation of trade and other receivables. Refer to notes 2.5.3 and 7 of the financial statements. The valuation of trade and other receivables is dependent on certain key assumptions that require significant management judgement. As a result, the valuation of receivables was significant to my audit. Management has estimated the recoverable amount of the trade and other receivables to be $47 745 364.00 as at December 31, 2017 after recognising an allowance for credit losses of $32,086,707.00.	My audit procedures to address the risk of material misstatement relating to the valuation of trade and other receivables included: • Assessment of the recoverability of long outstanding receivables by making comparison of the rate of collection in the current year and prior year. • Analysis of the debtors age analysis for long outstanding amounts and assessment of the reasonability of provisions for irrecoverable amounts. • Evaluated the reasonability of management judgements and assumptions made in estimating the allowance for credit losses considering the nature and suitability of any historic data used to support these assumptions. I found the key assumptions used in the valuation of trade and other receivables to be appropriate.

Other information

The directors are responsible for the Other Information. The other information comprises all the information in the Postal and Telecommunications Regulatory Authority of Zimbabwe's 2017 annual report other than the financial statements and my auditor's report thereon ("the Other Information").

In connection with my audit of the Authority'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.

Directors' responsibility for the financial statements

The Authority's Directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards (IFRS) and in a manner required by the Postal and Telecommunications Act [Chapter 12:05], 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 misstatements, whether due to fraud or error.

In preparing the financial statements, Directors are responsible for assessing the Authority'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 Authority or to cease operations, or has no realistic alternative but to do so.

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

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

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

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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control;

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors;
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Authority'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 Authority to cease to continue as a going concern;

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

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

Report on other legal and regulatory requirements
In my opinion, the financial statements have, in all material respects, been properly prepared in compliance with the provisions of the Postal and Telecommunications Act [*Chapter 12:05*], and other relevant Statutory Instruments.

July 10 , **2018**.

Mchiri

M. CHIRI, (MRS)
AUDITOR-GENERAL.

POSTAL AND TELECOMMUNICATIONS REGULATORY AUTHORITY OF ZIMBABWE
STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2017

	Note	Audited 2017 USD	2016 USD
ASSETS			
Non-Current Assets		**39 190 532**	**37 012 790**
Property and equipment	4	36 091 095	33 168 483
Financial asset	5	2 906 457	2 906 457
Intangible assets	6	192 980	937 850
Current assets		**69 967 769**	**56 335 639**
Inventory		78 305	35 003
Trade and other receivables	7	47 745 364	33 196 550
Prepayments	8	256 268	382 296
Cash and cash equivalents	9	21 887 832	22 721 790
TOTAL ASSETS		**109 158 302**	**93 348 428**
RESERVES AND LIABILITIES			
Total Reserves		**90 028 976**	**76 540 370**
Non-distributable reserves		(1 288 627)	(1 288 627)
Revaluation reserve		2 743 793	2 743 793
Accumulated fund		88 573 810	75 085 204
Long term Liabilities		**4 752 717**	**4 752 717**
Borrowings	10	4 752 717	4 752 717
Current liabilities		**14 376 609**	**12 055 342**
Trade and other payables	11	14 012 740	11 695 137
Deferred income	12,1	363 869	360 206
TOTAL RESERVES AND LIABILITIES		**109 158 302**	**93 348 428**

28 June, 2018

Mr. B. Chiripanhura
(Director Finance MSc, RPAcc(Z), ACIS,BAcc),

3 July, 2018

Dr. G. K. Machengete
(Director General),

5 July, 2018

Mr. O. Bvute
(Board Chairman)

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED DECEMBER 31, 2017

	Note	2017 USD	2016 USD
Revenue		**31 921 483**	**28 644 790**
Licence fees	12	31 148 846	28 017 289
Interest Income	13	641 025	595 396
Other income	14	131 612	32 105
Expenditure		**(18 432 877)**	**(18 870 086)**
Operating expenditure	15	(18 432 877)	(18 870 086)
Operating surplus for the year		**13 488 606**	**9 774 704**
Other comprehensive income		-	-
Total comprehensive income		**13 488 606**	**9 774 704**

POSTAL AND TELECOMMUNICATIONS REGULATORY AUTHORITY OF ZIMBABWE
STATEMENT OF CHANGES IN RESERVES
FOR THE YEAR ENDED DECEMBER 31, 2017

	Non-distributable USD	Revaluation reserve USD	Accumulated Fund USD	Total USD
Balance as at January 1, 2016	(1 288 627)	2 743 793	65 310 500	**66 765 666**
Operating surplus for the year	-	-	9 774 704	**9 774 704**
Balance as at December 31, 2016	**(1 288 627)**	**2 743 793**	**75 085 204**	**76 540 370**
Balance as at January 1, 2017	(1 288 627)	2 743 793	75 085 204	**76 540 370**
Operating surplus for the year	-	-	13 488 606	**13 488 606**
Balance as at December 31, 2017	**(1 288 627)**	**2 743 793**	**88 573 810**	**90 028 976**

POSTAL AND TELECOMMUNICATIONS REGULATORY AUTHORITY OF ZIMBABWE
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2017

	Note	2017 USD	2016 USD
Cash flows from operating activities		**3 158 477**	**16 276 322**
		12 872 245	**9 391 182**
Operating surplus for the year		13 488 606	9 774 704
Interest earned	13	(641 025)	(595 396)
Licence fees deferred	12,1	24 663	211 875
Adjustments for non-cash items		**2 434 717**	**5 362 234**
Depreciation	4	1 674 600	2 815 855
Amortisation	6	780 658	2 739 628
Licence fee amortisation	12,1	(21 000)	(193 913)
Profit on disposal of assets		460	663
Changes In Working Capital		**(12 148 485)**	**1 522 905**
Increase in Trade and other receivables		(14 548 814)	298 784
Decrease in Trade and other payables		2 317 604	1 228 127
Increase in inventory		(43 302)	(8 358)
Decrease in prepayments		126 027	4 352
Cash flows from investing activities		**(3 992 433)**	**(5 389 047)**
Purchase of property, plant and equipment	4	(4 604 717)	(2 738 955)
Held to Maturity Investment	5	-	(2 906 457)
Purchase of intangible assets	6	(35 789)	(346 102)
Proceeds on sale of property, plant and equipment		7 048	7 072
Interest received		641 025	595 396
Net Increase /(decrease) in cash and cash equivalents		**(833 957)**	**10 887 275**
Cash and cash equivalents at the beginning of the year		**22 721 790**	**11 834 516**
Cash and cash equivalents at the end of the year	**9**	**21 887 833**	**22 721 790**

1. NATURE OF BUSINESS

The Postal and Telecommunications Regulatory Authority of Zimbabwe was established in terms of the Postal and Telecommunications Act (Chapter 12:05), 2000. The objective of the Authority as provided in the Act is to provide for the licensing and regulation of the cellular telecommunication and all telecommunication services.

2. BASIS OF PREPARATION

2.1 Basis of Measurement

The financial statements of the Authority are prepared under the historical cost convention except for the financial assets which are measured at fair value and some items of property, plant and equipment which are shown at revalued amounts.

2.2 Statement of Compliance

The Financial Statements have been prepared in conformity with International Financial Reporting Standards (IFRS), promulgated by the International Accounting Standards Board (IASB) which includes standards and interpretations approved by the IASB as well as International Financial Reporting Interpretations Committee (IFRIC).

2.3 Going Concern Assumption

Management has assessed the ability of the Authority to continue operating as a going concern and believe that the preparation of these financial statements on a going concern basis is still appropriate.

2.4 Functional and Presentation Currency

These financial statements are presented in United States Dollars (US$) which is the Authority's functional currency. All the financial information presented has been rounded off to the nearest dollar.

2.5 Accounting Judgements, Assumptions and Estimates

The preparation of the Authority's financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates are underlying assumptions reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected. Significant Judgements include the following:

2.5.1 Useful lives and residual values of property, plant and equipment

The Authority also assesses useful lives and residual values of property, plant and equipment each year taking into account past experience and technology changes. The depreciation rates are set out in note 3.2.2 and no changes to these useful lives have been considered necessary during the year. Management has set residual values for all classes for property, plant and equipment at zero.

2.5.2 Impairment and provisioning policies

At each statement of financial position date, the Authority reviews the carrying amount of its assets to determine whether there is an indication that those assets suffered any impairment. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment (if any). If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. Impairment is recognized as an expense immediately, unless the relevant asset is carried at a revalued amount, in which case the impairment is treated as a revaluation decrease.

In the event that, in the subsequent period, an asset that has been subject to an impairment loss is no longer considered to be impaired, the value is restored and the gain is recognized in the statement of comprehensive income. The restoration is limited to the value which would have been recorded had the impairment adjustment not taken place.

2.5.3 Allowance for credit losses.

The Authority estimates the allowance for credit losses based on management's assessment of collection indicators to determine the rate applied.

2.6 New Standards, Amendments and Interpretations

2.6.1 New Standards, amendments and interpretation issued but not for the financial year beginning January 1, 2017 and are relevant to the Scheme

i IFRS 9 Financial Assets

IFRS 9 was issued by the IASB in July 2014 to replace IAS 39 for periods beginning on or after 1 January 2018 with early adoption permitted. From a classification and measurement perspective, the standard will require all financial assets except equity instruments and derivatives to be assessed based on a combination of the entity's business model for managing assets and the instruments' contractual cash flow characteristics.

ii IFRS 15 Revenue from contracts with customers

IFRS 15 was issued by the IASB on 28 May 2014 and applies to an entity's financial statements for a period beginning on or after 1 January 2018. It provides a five-step guidance on accounting for revenue from contracts with customers. The five steps in the model are as follows;

- Identify the contract with the customer
- Identify the performance obligations in the contract
- Determine the transaction price
- Allocate the transaction price to the performance obligation in the contract
- Recognise revenue when the entity satisfies a performance obligation

iii IFRS 16 Leases

IFRS 16 specifies recognition, measurement, presentation and disclosure of leases with the objective of ensuring that the lessees and lessors provide relevant information that faithfully represents lease transactions. The standard provides a single lessee accounting model, requiring lessees to recognise assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with IFRS 16's approach to lessor accounting substantially unchanged from its predecessor, IAS 17.
Effective date 1 January 2018

iv IFRS 7 Financial Instruments: Disclosures

IFRS 7 requires entities to provide disclosures in their financial statements that enable users to evaluate the significance of financial instruments, the nature and extent of risks arising from them and how entities manage those risks
Effective Date 1 January 2018

3 ACCOUNTING POLICIES

Accounting policies applied in the preparation of these financial statements are consistent with those applied in the financial statements for the period ended December 31, 2017.

3.1 Revenue

Revenue is recognised on an accrual basis when it is probable that the economic benefits will flow to the Authority and the revenue can be reliably measured.

3.1.1 Initial and Upgrade Licence Fees

Initial and upgrade licence fees are capitalised and amortised over the duration of the licence on a straight line basis

3.1.2 Interest Income

Interest is recognised on a time proportion basis using the effective interest method.

3.2 Property and Equipment

3.2.1 Recognition and measurement

Property, plant and equipment is initially measured at its cost, subsequently measured either using a cost or revaluation model, and depreciated so that its depreciable amount is allocated on a systematic basis over its useful life.

3.2.2 Depreciation

Depreciation is recognised in the statement of profit and loss and other comprehensive income on a straight line basis over the estimated useful lives of each part of item of property, plant and equipment since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset. Land is not depreciated.

Property, plant and equipment are stated at revalued amounts less accumulated depreciation. The residual values and useful lives of all assets are assessed at the end of each year and if the residual value as determined at year end is greater than the carrying amount as at that date no depreciation will be charged to the asset. If the residual value is less than the carrying amount should be depreciated over the revised remaining life of the asset on a straight line basis as follows:

Motor Vehicles	20%
Computer Equipment	33%
Office Equipment	10%
Furniture and Fittings	10%
Lease Improvements	10%
Buildings	2%
Cell phones	33%

Regulatory Equipment:

Motor Vehicles	20%
Equipment	20%

No changes to the useful lives have been considered necessary during the year. Management has set residual values of all classes of property, plant and equipment at zero.

3.3 Intangible Assets

3.3.1 Recognition and measurement

Intangible assets are measured at cost less accumulated amortisation and accumulated impairment.

3.3.2 Amortisation

Amortisation is recognised in the statement of profit and loss and other comprehensive income on a straight line basis over the estimated useful lives of intangible assets since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset. Intangible assets with identifiable useful lives are amortized on a straight-line basis over their economic or legal life.

Intangible assets with indefinite useful lives are reassessed each year for impairment. If impairment has occurred, then a loss must be recognized. An impairment loss is determined by subtracting the asset's fair value from the asset's carrying value. Intangible assets are stated at historical amounts less accumulated amortisation. Intangible assets are amortised at the following rates;

Regulatory Software	33%
Software Licence	33%
Other Softwares	33%

3.4 Financial Instruments

Financial instruments carried on the statement of financial position include cash and bank balances, receivables, trade creditors and money market investments. The particular recognition methods are disclosed on the policy statements associated with each item.

3.4.1 Accounts Receivables

Trade debtors are carried at anticipated realizable value. An estimate is made for doubtful debts based on review of all outstanding amounts at the year-end. Bad debts are written off during the year in which they are identified.

3.4.2 Cash and Cash Equivalents

Cash and cash equivalents are recognized at a fair value. For the purpose of the Statement of Cash Flows, cash includes cash on hand, balances with banks and short term investments with maturities of three months or less and are used by the Authority in the management of its short-term commitments.

3.4.3 Liabilities and Provisions

Provisions are recognised when the Authority has a present legal or constructive obligation as a result of past events, such that there is a probability that outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the amount of the obligation can be made.

3.4.4 Foreign Currency Transactions and Balances

Monetary assets and liabilities in other currencies are expressed in United States Dollars at rates of exchange ruling at 31 December 2017. All profits and losses on exchanges arising from trading activities are dealt with in the statement of comprehensive income in determination of the operating income. Transactions during the year are converted to the United States Dollars at rates ruling on the transaction date.

3.5 Employee Benefits

Employee benefits are the consideration given by the Authority in exchange for services rendered by employees.

3.5.1 Short-term Benefits

Benefits earned by employees under normal employment terms including salaries, bonuses and leave pay are expensed as earned and accordingly provisions are made for unpaid bonuses and leave pay.

3.5.2 Post- employment Benefits

Retirement benefits are provided for the Authority's employees through a defined contribution. The Authority's contributions to the fund are based on actuarial recommendations calculated as a percentage of defined remuneration levels (currently 14.5%) and are charged to the statement of comprehensive income as incurred. The Authority also contributes 3.5% of basic salary up to a maximum of $700 per employee to the National Pension Scheme administered by the National Social Security Authority.

3.6 Corporate Tax

The Authority is exempt from corporate tax in accordance with the Postal and Telecommunications Act (Chapter 12:05).

4. PROPERTY, PLANT AND EQUIPMENT

	Land and Buildings USD	Work In Progress USD	Motor Vehicles USD	Regulatory Equipment USD	Office Equipment USD
Opening carrying amount	10 154 922	19 551 516	549 632	2 357 723	100 151
Gross carrying amount	10 464 199	19 551 516	2 202 602	16 177 932	203 526
Accumulated depreciation	(309 277)	-	(1 652 970)	(13 820 209)	(103 375)
Additions at cost	123 200	4 057 602	188 000	-	31 720
Depreciation for the year	(75 903)	-	(263 908)	(1 125 128)	(21 441)
Disposals-at carrying amount	-				
Disposals -Cost					
Accumulated depreciation					
Closing carrying amount	10 202 219	23 609 118	473 724	1 232 595	110 430
Gross carrying amount	10 587 399	23 609 118	2 390 602	16 177 932	235 245
Accumulated depreciation	(385 180)	-	(1 916 878)	(14 945 337)	(124 815)

4.1 Work in progress relates to the construction of POTRAZ Head Office being carried out in Mount Pleasant Harare and other POTRAZ sites

4. PROPERTY, PLANT AND EQUIPMENT

Furniture and Fittings USD	Computers USD	Lease Improvements USD	Cellphones US	Total 2017 USD	Total 2016 USD
213 078	188 203	3 169	50 091	33 168 483	33 253 119
467 464	559 285	9 512	83 139	49 719 170	47 150 663
(254 386)	(371 082)	(6 343)	(33 048)	(16 550 688)	(13 897 544)
36 671	113 767	-	53 757	4 604 717	2 738 955
(48 409)	(108 207)	(951)	(30 651)	(1 674 600)	(2 815 855)
	(2 181)	(1 866)	(3 459)	(7 507)	(7 736)
	(29 191)	(9 032)	(14 317)	(52 540)	(170 447)
	27 010	7 166	10 857	45 033	162 712
201 340	191 581	352	69 738	36 091 095	33 168 483
504 135	643 860	480	122 580	54 271 347	49 719 171
(302 795)	(452 279)	(128)	(52 842)	(18 180 254)	(16 550 688)

		2017 USD	2016 USD
5	**Financial Asset - Debentures**	**2 906 457**	**2 906 457**
	Financial Asset at Cost		
	Reclassification from other receivables	2 906 457	2 891 647
	Interest due for the year	-	14 810
6	**Intangible Assets**		
	Opening carrying amount	**937 850**	**3 331 375**
	Gross carrying amount	9 551 088	9 204 986
	Accumulated amortisation	(8 613 239)	(5 873 611)
	Additions at cost	35 789	346 103
	Amortisation for the year	(780 658)	(2 739 628)
	Closing carrying amount	**192 981**	**937 850**
	Gross carrying amount	9 586 877	9 551 088
	Accumulated amortisation	(9 393 896)	(8 613 239)
7	**Trade and Other Receivables**	**47 745 364**	**33 196 550**
7.1	**Net Trade receivables**	**27 075 580**	**52 890 471**
	Gross Trade Debtors	59 162 287	52 890 471
	Allowance for credit losses	(32 086 707)	-
7.2	**Other Receivable**	**20 669 785**	**(19 693 922)**
	Gross Other Receivables	26 253 742	19 832 742
	Allowance for credit losses	(5 583 957)	(39 526 664)
8	**Prepayments**	**256 268**	**382 296**
	Pre-paid expenditure	256 268	382 296
9	**CASH AND CASH EQUIVALENTS**	**21 887 832**	**22 721 790**
	Short term investments held to maturity (Funds on placement)	20 424 793	7 588 034
	Bank balances	1 458 399	15 129 772
	Petty cash	4 640	3 983
10	**Borrowings**		
10.1	**African Development Bank Loan**	**4 752 717**	**4 752 717**

The ADB loan was inherited from the Post and Telecommunications Corporation(PTC). The loan was used to acquire Spectrum Management Equipment which was also inherited from PTC

		2017 USD	2016 USD
11	**TRADE AND OTHER PAYABLES**	**14 012 740**	**11 695 137**
	Trade payables	674 410	1 100 288
	other payables	13 338 330	10 594 849
12	**Licence fees**	**31 148 846**	**28 017 289**
	Public switched telephone network	2 252 453	3 894 642
	Global sytems for mobile	13 165 019	14 346 181
	Spectrum	5 448 947	3 741 520
	Private network	62 930	45 166
	Deferred income amortised for the year	3 615 934	93 913
	Other fees	6 603 564	5 895 867
12.1	**Deferred Income**		
	Initial licence and Upgrade fees		
	Opening balance	360 206	342 244
	Additions during the year	24 663	211 875
	Amortised during the year	(21 000)	(193 913)
	Closing Balance	**363 869**	**360 206**

Deferred income relates to initial and upgrade licence fees for the remaining life of the licence.

		2017 USD	2016 USD
13	**Interest Income**	**641 025**	-
	Investments interest	583 314	
	other interest income	57 711	-
14	**Other income**	**131 612**	**32 105**
	Penalties	121 773	-
	Sundry income	9 840	32 105

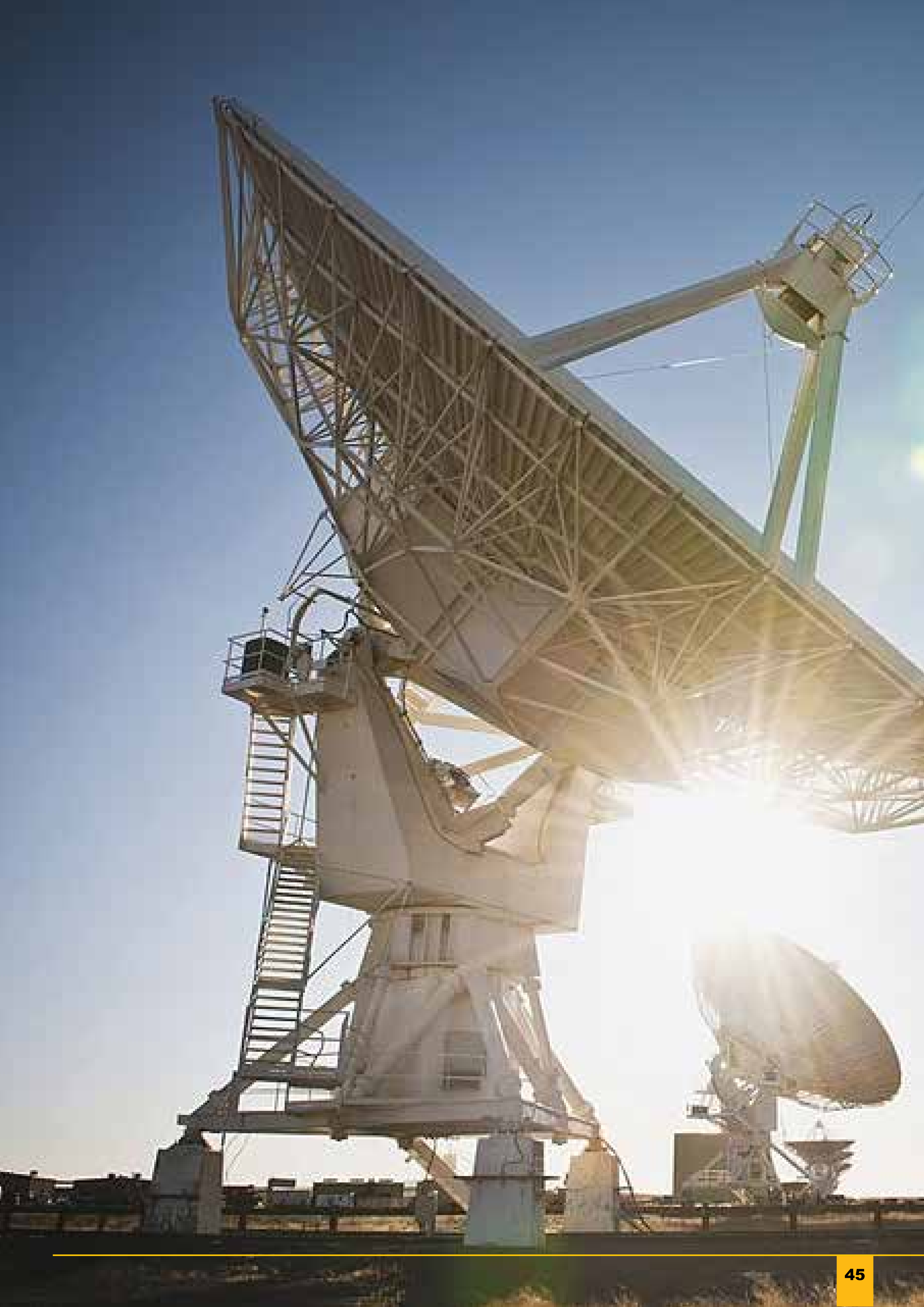
	2017 USD	2016 USD
15 OPERATING EXPENDITURE	**18 432 877**	**18 870 086**
Adminisrative expenses	10 850 795	8 449 633
Operating costs	7 582 082	10 420 453

16 Related Party

Name	Relationship	Owner
Universal Services Fund	Manager	Government of Zimbabwe

16.1 Related Party Balances

	2017	2016
Projects Funding	4 170 041	1 376 441



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OAG ZIMBABWE
Office of the Auditor-General

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

Ref: **SB 38**

REPORT OF THE AUDITOR-GENERAL

TO

THE MINISTER OF INFORMATION COMMUNICATION TECHNOLOGY AND CYBER SECURITY

AND

THE BOARD OF DIRECTORS

IN RESPECT OF THE FINANCIAL STATEMENTS OF

THE UNIVERSAL SERVICES FUND

FOR THE YEAR ENDED DECEMBER 31, 2017.

Report on the Audit of the Financial Statements

Opinion

I have audited the financial statements of the Universal Services Fund set out on pages 5 to 15, which comprised the statement of financial position as at December 31, 2017, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In my opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Universal Services Fund as at December 31, 2017, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

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 Universal Services Fund 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.

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 Universal Services Fund for the year ended December 31, 2017. These matters were addressed in the context of my audit of the Universal Services Fund 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.

Key audit matter	How the matter was addressed in the audit
Disbursements- refer to note 13 of the financial statements. The Fund made disbursements for telecommunications infrastructure projects amounting to $3 482 609 during the year ended December31, 2017.These disbursements were made to numerous projects around the country and constituted 48% of the Funds expenditure during the year. The huge volume of payments to numerous projects results in disbursements being a complex area. Accordingly, it was identified as key audit matter.	My audit procedures to address the risk of material misstatement relating to disbursements included: • Assessed the internal controls over disbursements to projects. • Obtained and inspected the supporting documents of all payments made towards Community Information Centers. • Tested the effectiveness of the key controls over the authorization and recording of disbursements. • Conducted substantive analytical procedures on disbursements. • Inspected Community Information Centre's sites and reviewed documentary evidence. Based on the evidence gathered, I found no material errors in the accuracy and completeness of disbursements.

Other information

The directors are responsible for the other Information. The other information comprises all the information in the Universal Services Fund's 2017 annual report other than the financial statements and my auditor's report thereon ("the Other Information").

In connection with my audit of the Fund'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.

Directors' responsibility for the financial statements

The Fund's Directors 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 Postal and Telecommunications Act [Chapter 12:05] 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, Directors are responsible for assessing the Fund'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 Fund or to cease operations, or has no realistic alternative but to do so.

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

Auditor's responsibility

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

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

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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control;

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors;
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund'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 Fund to cease to continue as a going concern;

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

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

Report on other legal and regulatory requirements

In my opinion, the financial statements have, in all material respects, been properly prepared in compliance with the provisions of the Postal and Telecommunications Act, and other relevant Statutory Instruments.

July 10 **, 2018.**

mchiri

M. CHIRI, (MRS)
AUDITOR-GENERAL.

STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2017

	Note	2017 USD	Audited 2016 USD
Assets			
Non-Current Assets		**3 249 654**	**3 206 801**
Property, plant and equipment	4	59 974	49 425
Financial asset	5	3 189 680	3 157 376
Current Assets		**28 875 539**	**18 183 766**
Trade and other receivables	6	8 794 453	5 567 288
Prepayments	7	19 062 499	-
Cash and cash equivalents	8	1 018 587	12 616 478
Total Assets		**32 125 193**	**21 390 566**
Reserves and Liabilities			
Total Reserves		**26 487 617**	**18 860 141**
Accumulated fund		26 487 617	18 860 141
Current Liabilities		**5 637 576**	**2 530 426**
Trade and other payables	9	5 637 576	2 530 426
Total Reserves and liabilities		**32 125 193**	**21 390 566**

28 June ,2018

Mr. B. Chiripanhura
(Director Finance MSc, RPAcc(Z), ACIS,BAcc),

3 July ,2018

Dr. G. K. Machengete
(Director General)

5 July ,2018

Mr. O. Bvute
(Board Chairman),

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED DECEMBER 31, 2017

		2017 USD	2016 USD
Revenue		**15 545 456**	**15 154 280**
Licence fees	10	13 730 356	13 520 346
Interest income		211 390	371 126
Other income	11	434	622
Innovation drive income	12	1 603 276	1 262 186
Operating costs		**7 917 981**	**1 529 971**
Projects	13	7 292 167	4 095 326
Administrative expenses	14	625 814	(2 565 355)
Operating profit/(loss)		**7 627 475**	**13 624 309**
Other comprehensive income			
Total comprehensive income/(loss)		**7 627 475**	**13 624 309**

STATEMENT OF CHANGES IN RESERVES
FOR THE YEAR ENDED DECEMBER 31, 2017

	Accumulated Fund USD	Total USD
Balance as at January 1, 2016	**5 235 831**	**5 235 831**
Surplus/(deficit) for the year	13 624 309	13 624 309
Balance as at December 31, 2016	**18 860 140**	**18 860 140**
Balance as at January 1, 2017	**18 860 140**	**18 860 140**
Surplus/(deficit) for the year	7 627 475	7 627 475
Balance as at December 31, 2017	**26 487 615**	**26 487 615**

STATEMENT OF CASHFLOWS
FOR THE YEAR ENDED DECEMBER 31, 2017

	Note	2017 USD	2016 USD
Cash flows from operating activities		**7 281 385**	**12 222 415**
Surplus for the year/(loss)		7 627 475	13 624 309
Interest earned		(243 694)	(371 126)
Disposal proceeds		714	
Adjustment for non cash item		**16 905**	**36 081**
Depreciation		16 905	36 081
Changes in Working Capital		**(120 015)**	**(1 809 102)**
(Increase) decrease in trade and other receivables		(3 227 165)	(1 107 272)
Increase/(decrease) in trade and other payables		3 107 150	(701 829)
Cash flows from investing activities		**(18 879 277)**	**(3 542 291)**
Acquisition of property, plant and equipment	4	(28 168)	(13 789)
Financial asset	5	-	(3 157 376)
Longterm investments - prepayment		(19 062 499)	-
Interest received		211 390	371 126
Net increase/ (decrease) in cash and cash equivalents		**(11 597 892)**	**8 680 124**
Cash and cash equivalents at the beginning of the year		**12 616 478**	**3 936 354**
Cash and cash equivalents at the end of the year	**8**	**1 018 587**	**12 616 478**

1. NATURE OF BUSINESS

The Universal Services Fund of Zimbabwe was established in terms of the Postal and Telecommunications Act, 2000. The Fund was vested in the Postal and Telecommunications Regulatory Authority of Zimbabwe (POTRAZ) as trustee.

2. BASIS OF PREPARATION

2.1 Basis of measurement

The financial statements of the Fund are prepared under historical cost convention except for the financial assets, which are measured at fair value and some items of property, plant and equipment, which are shown at revalued amounts.

2.2 Statement of Compliance

The financial statements for the year ended December 31, 2017 have been prepared in accordance with International Financial Reporting Standards ("IFRS"), International Financial Reporting Interpretations Committee ("IFRC") interpretations as issued by the International Accounting Standards Board (IASB) and in a manner required by the Postal and Telecommunications Act and the relevant statutory requirements.

2.3 Going concern

Management has assessed the ability of the Fund to continue operating as a going concern and believe that the preparation of these financial statements on a going concern basis is still appropriate.

2.4 Functional and Presentation Currency

The fund's financial statements are presented in United States Dollars (USD) which is the Fund's functional currency. All the financial information presented has been rounded to the nearest dollar.

2.5 Accounting judgements, estimates and assumptions

The preparation of the Fund's financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and 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. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected. Significant judgements include the following:

2.5.1 Useful lives and residual values of property, plant and equipment

The Fund assesses useful lives and residual values of property, plant and equipment each year taking into account past experience and technology changes. The depreciation rates are set out in note 3.2.2 and no changes to these useful lives have been considered necessary during the year. Management has set residual values for all classes of property, plant and equipment at zero.

2.5.2 Impairment and provisioning policies

At each statement of financial position date, the Fund reviews the carrying amount of its assets to determine whether there is an indication that those assets suffered any impairment. If any such indication exists, the recoverable amount of the asset is estimated in order to be less than its carrying amount; the carrying amount of the asset is reduced to its recoverable amount. Impairment is recognised as an expense immediately, unless the relevant asset is carried at a revalued amount, in which case the impairment is treated as a revaluation decrease.

In the event that, in the subsequent period, an asset that has been subject to an impairment loss is no longer considered to be impaired, the value is restored and the gain is recognized in the statement of comprehensive income. The restoration is limited to the value which would have been recorded had the impairment adjustment not taken place.

2.5.3 Allowance for credit losses.

The Fund estimates the allowance for credit losses based on management's assessment of collection indicators to determine the rate.

2.6 New Standards, Amendments and Interpretations

2.6.1 New Standards, amendments and interpretation issued but not for the financial year beginning January 1, 2017 and are relevant to the Scheme

i. IFRS 9 Financial Assets

IFRS 9 was issued by the IASB in July 2014 to replace IAS 39 for periods beginning on or after 1 January 2018 with early adoption permitted. From a classification and measurement perspective, the standard will require all financial assets except equity instruments and derivatives to be assessed based on a combination of the entity's business model for managing assets and the instruments' contractual cash flow characteristics.

ii IFRS 15 Revenue from contracts with customers

IFRS 15 was issued by the IASB on 28 May 2014 and applies to an entity's financial statements for a period beginning on or after 1 January 2018. It provides a five-step guidance on accounting for revenue from contracts with customers. The five steps in the model are as follows;

- Identify the contract with the customer
- Identify the performance obligations in the contract
- Determine the transaction price
- Allocate the transaction price to the performance obligation in the contract
- Recognise revenue when the entity satisfies a performance obligation

iii IFRS 7 Financial Instruments: Disclosures

IFRS 7 requires entities to provide disclosures in their financial statements that enable users to evaluate the significance of financial instruments, the nature and extent of risks arising from them and how entities manage those risks

Effective Date 1 January 2018

3. ACCOUNTING POLICIES

Accounting policies applied in the preparation of these financial statements are consistent with those applied in the financial statements for the period ended December 31, 2017.

3.1 Revenue

Revenue is recognized on an accrual basis when it is probable that the economic benefits will flow to the Fund.

3.1.2 Interest Income

Interest is recognised on a time proportion basis using the effective interest method.

3.2 Property and Equipment

3.2.1 Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses.

3.2.2 Depreciation

Property, plant and equipment are stated at revalued amount less accumulated depreciation. The residual values and useful lives of all assets are assessed at the end of each year and if the residual value as determined at year end is greater than the carrying amount as at that date no depreciation will be charged to the asset. If the residual value is less than the carrying amount the asset is depreciated over the revised remaining life of the asset on a straight line basis. The rates applied are as follows:

Motor Vehicles	20%
Computer Equipment	33%
Office Equipment	10%
Furniture and Fittings	10%
Cell phones	33%

No changes to the useful lives have been considered necessary during the year. Management has set residual values of all classes of property, plant and equipment at zero.

3.3 Financial Instruments

Financial instruments carried on the statement of financial position include cash and bank balances, receivables, trade creditors and money market investments. The particular recognition methods are disclosed on the policy statements associated with each item.

3.3.1 Accounts Receivables

Trade receivables are carried at anticipated realisable value. An estimate is made for doubtful debts based on review of all outstanding amounts at the year-end. Bad debts are written off during the year in which they are identified.

3.3.2 Cash and Cash Equivalents

Cash and cash equivalents are recognised at a fair value. For the purpose of the Statement of Cash Flows, cash includes cash on hand, balances with banks and short term investments with maturities of three months or less.

3.3.3 Foreign Currency transactions and balances

Monetary assets and liabilities in other currencies are expressed in United States Dollars at rates of exchange ruling at 31 December 2017. All profits and losses on exchanges arising from trading activities are dealt with in the statement of comprehensive income in determination of the operating income. Transactions during the year are converted to the United States Dollars at rates ruling on the transaction date.

3.3.4 Liabilities and Provisions

Liabilities are recognized when the Fund has a present legal or constructive obligation as a result of past events, such that there is a probability that outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the amount of the obligation can be made.

3.4 Employee Benefits

Employee benefits are the consideration given by the Fund in exchange for services rendered by the employees.

3.4.1 Short-term Benefits

Benefits earned by employees under normal employment terms including salaries, bonuses and leave pay. These are expensed as earned and accordingly provisions are made for unpaid bonuses and leave pay.

3.4.2 Post-Employment Benefits

Retirement benefits are provided for the Fund's permanent employees through a defined contribution fund. Contributions are based on actuarial recommendations calculated as a percentage of defined remuneration levels (currently 14.5%) and are charged to the statement of comprehensive income as incurred. The Fund also contributes to the National Pension Scheme administered by the National Social Security Authority. The NSSA contributions are 3.5% of basic salary up to a maximum of $700 per employee.

3.5 Corporate Tax

The Fund is exempt from corporate tax in accordance with the Postal and Telecommunications Act.

4. PROPERTY, PLANT AND EQUIPMENT

	MOTOR VEHICLES	FURNITURE & FITTINGS	COMPUTER EQUIPMENT	OFFICE EQUIPMENT	OTHER EQUIPMENT	TOTALS 2017	TOTALS 2016
Opening carrying amount	-	11 020	12 276	23 037	3 091	49 425	71 717
Gross carrying amount	213 143	26 627	26 430	41 607	6 306	314 114	312 841
Accumulated depreciation	(213 143)	(15 608)	(14 154)	(18 570)	(3 215)	(264 689)	(241 124)
Additions at cost	-	-	11 522	7 687	8 960	28 168	13 789
Depreciation for the year		(2 663)	(7 942)	(4 225)	(2 075)	(16 905)	(36 081)
Disposals-at carrying amount	-	-	-	-	714	714	-
Disposals	-	-	-	-	3 815	3 815	12 516
Disposals accummulated depreciation	-	-	-	-	(3 100)	(3 100)	(12 516)
Closing Carrying Amount	-	8 357	15 856	26 500	9 262	59 974	49 425
Gross carrying amount	213 143	26 628	37 952	49 294	11451	338 468	314 114
Accumulated depreciation	(213 143)	(18 271)	(22 095)	(22794)	2 190)	(278 493)	(264 689)

		2017 USD	2016 USD
5	**Financial asset-Debentures**	**3 189 680**	**3 173 528**
	Financial asset at cost	-	-
	Reclassification from receivables	3 189 680	3 157 376
	Interest due for the year	-	16 152
6	**Trade and other receivables**	**8 794 453**	**5 567 288**
	Trade receivables	6 922 269	3 695 106
	Other receivables	1 872 184	1 872 184
7	**Prepayments***	**19 062 499**	**-**
		19 062 499	-
	*The transaction involves an acquisition of a 100% stake in Telecel International from NSSA for a consideration of $46 million, which is still in progress.		
8	**Cash and cash equivalents**	**1 018 587**	**12 616 478**
	Short term investments	402 838	32 309
	Bank balances	615 749	12 584 169
9	**Trade and other payables**	**5 637 576**	**2 530 426**
	Trade payables	1 425 794	1 117 953
	Other payables	4 211 782	1 412 473
10	**Licence fees**	**13 730 356**	**13 520 346**
	Public Switched Telephone Network (PSTN)	1 548 111	737 845
	Global System for Mobile (GSM)	9 883 081	11 172 134
	Other fees	2 299 164	1 610 367
11	**Other income**	**434**	**622**
	Profit/(loss) on asset disposal	-	362
	Tender fees	434	260
		1 603 276	**1 262 186**
12	**Innovation Drive Fund**	1 603 276	1 262 186
13	**Disbursements / projects**	**7 292 167**	**4 095 325**
	Community inormation centres	3 482 609	1 867 902
	E-Learning project	1 753 675	1 934 964
	Other projects	2 055 883	292 459

Disbursements relate to the amounts expended on the construction of telecommunications passive infrastructure in remote parts of the country where operators would not ordinarily invest in.

	2017 USD	2016 USD
14 operating costs	**625 814**	**(2 565 355)**
Administration expenses	588 666	(2 611 091)
operating expenes	37 148	45 666

14.1 Related party

Name	Relationship	Owner
Postal and Telecomminications Regulatory Authority of Zimbabwe (POTRAZ)		Government of Zimbabwe

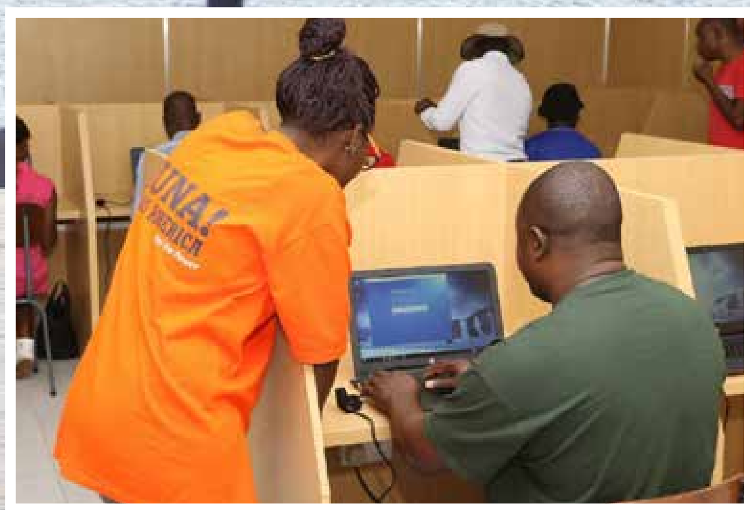
14.2 Related Party Balances

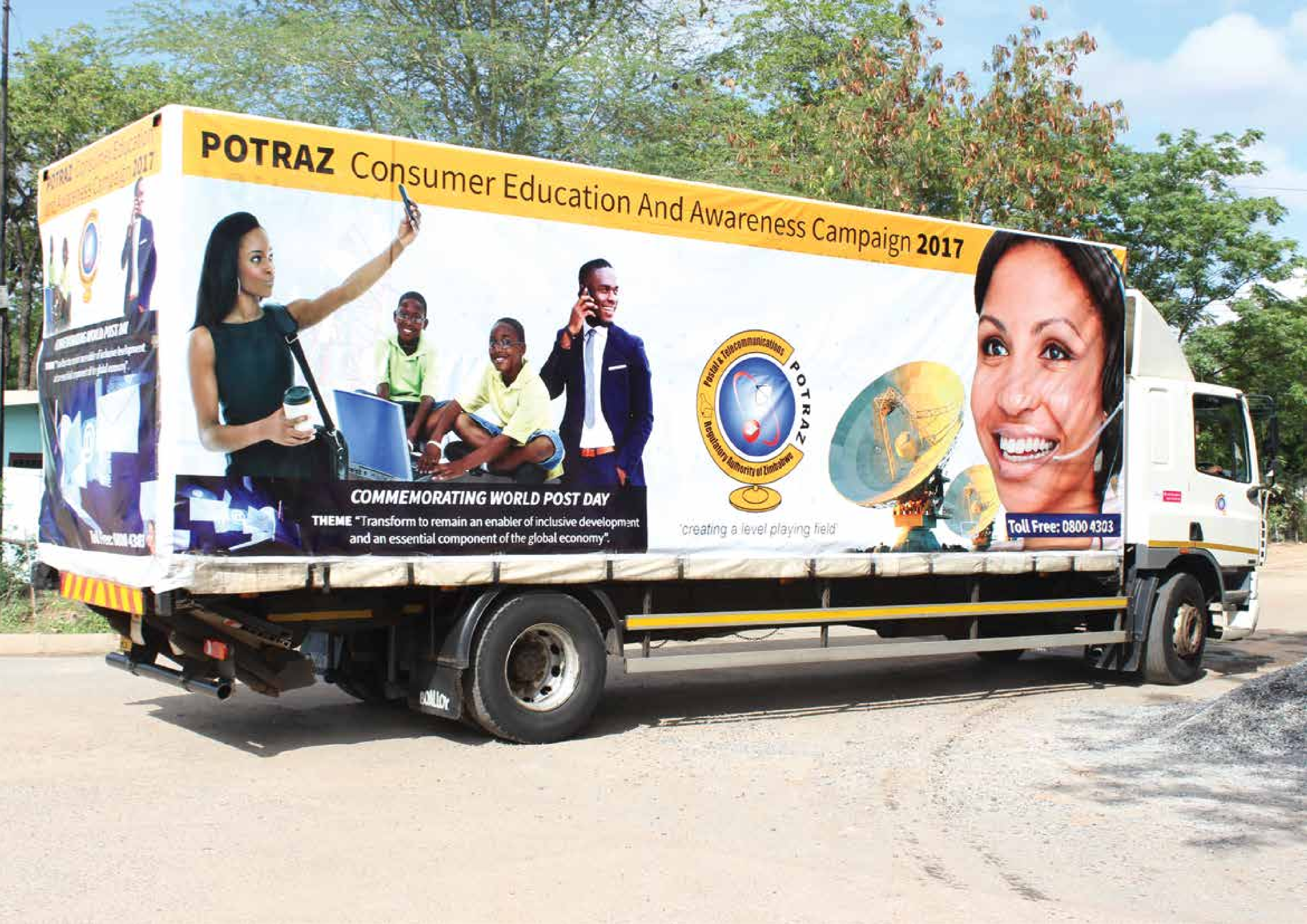
Projects funding	4 170 041	1 376 441

Containerized Village Information Centres to be deployed in villages where there are no Community Information Centres.


Model Village
Information Centre
POTRAZ
'creating a level playing field'
Model Village
Information Centre


COMMUNITY
INFORMATION CENTRE




POTRAZ Consumer Education And Awareness Campaign 2017
COMMEMORATING WORLD POST DAY
THEME "Transform to remain an enabler of inclusive development and an essential component of the global economy".
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