

'creating a level playing field'

POTRAZ

ANNUAL REPORT

**FOR THE PERIOD
ENDING 31 DECEMBER 2018**

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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**



**Mrs. O. Dangwa
Company
Secretary**

AUDITORS

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FBC Bank

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Board Committees

Technical Committee

F. Shavi (Chairman);
S. S. Khumalo;
W. Marufu; R. T. Chinembiri; G.K. Machengete; B. Sirewu

Human Resources Committee

N. Saungweme (Chairperson);
S. S. Khumalo;
T. R. Tanyanyiwa; R. T. Chinembiri; G.K. Machengete; A.D. Goba

Risk Committee

D. Sibanda (Chairperson);
F. Shavi; N. Saungweme; G.K. Machengete; C. Nyamutswa

Legal Committee

T. R. Tanyanyiwa (Chairman);
D. Sibanda; F. Shavi; G.K. Machengete; 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; G.K. Machengete; B. Chiripanhura



*Official opening of the
Chinhoyi Community
Information Centre*

Executive Management



Dr. G. K. Machengete | **Director General**



Mr. A. Marisa | **Deputy Director General**



Mr. B. Chiripanhura
Director Finance



Mrs. H. Mutseyekwa
Director Economics, Tariffs & Competition



Mr. B. Sirewu
Director Technical Services



Mrs. C. Nyamutswa
Director Legal Services



Mr. K. Dewera
Director Postal and Courier Services
Acting Director Universal Service Fund



Mrs. A. D. Goba
Director Corporate Services

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 section 4 of the Postal and Telecommunications Act [Chapter 12:05] are the following:

- 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 regulatory environment with universal communication services by 2030.

MISSION

To regulate the communications sector and promote universal access to communication services for sustainable development.

VALUES

- Integrity
- Transparency
- Team Work
- Responsiveness
- Predictability





Chairman's Statement

POSTAL AND TELECOMMUNICATIONS REGULATORY AUTHORITY OF ZIMBABWE (POTRAZ)

INTRODUCTION

The year 2018 witnessed yet more dynamic developments in the postal and telecommunication sectors across the world. These developments demanded more pragmatic regulatory interventions to keep the sectors abreast with rapidly changing technologies.

STRATEGIC THRUST

The Zimbabwean communication sector is a key and strategic driver of the country's desire to be an Upper Middle Income Nation by 2030. As such, the strategic orientation of the Authority's activities during 2018 was directed towards supporting the attainment of the national 2030 vision. For Zimbabwe to realise the 2030 vision, the ICT industry will have to lead and achieve its targets ahead of other sectors in the country. Targeted investment in infrastructure will be a priority.

The Authority crafted a new five year Strategic Plan (2019-2023) whose short and medium term focus is directed at achieving objectives of the Government's Transitional Stabilization Programme (2018-2020). The long term emphasis, as indicated above, will be on contributing to the country's vision 2030. The key strategic direction will be to embrace the 4th Industrial Revolution and to foster the bridging of the digital divide between the rural and urban citizenry.

DELIVERING OUR MANDATE

The Authority managed the national numbering and spectrum resources in a sound manner in 2018. Scarce spectrum resources were allocated in a fair and transparent manner. The Authority maintained sanity among users of spectrum with no major complaints of harmful interference noted. Number resources were allocated timeously to users. The Authority monitored the Quality of Service (QoS) offered by Mobile Network Operators (MNOs). Penalty Orders

were issued for poor QoS performance. Foreign currency rationing hampered operator efforts at improving network performance. The Authority provided support to operator applications for foreign currency allocations. However, this did not alleviate the situation.

In the interest of balancing operator viability against service affordability for consumers, the Authority reviewed tariff thresholds for telecommunication services based on the 2017 Long Run Incremental Costing (LRIC) models updates. The development saw the tariff thresholds for Unstructured Supplementary Service Data (USSD) and out of bundle mobile data services being reduced from 12.5 cents to 5 cents per session and megabyte respectively. In terms of consumer empowerment through education and awareness, sixty consumer education campaigns were conducted, mainly targeting the rural remote areas.

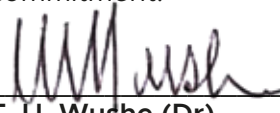
The Authority continued to perform beyond expectations given the economic complexities that characterised 2018. Throughout the year, the Authority managed to maintain a healthy working capital position. Total annual revenue generated surpassed target by more than 14% despite the serious hurdles encountered especially with debt collection from State Enterprises and Parastatals (SEPs). Prudent financial control by management helped the Authority to achieve operating expenditure savings of 29% against the forecast operational expenditure. However, part of the savings were due to projects that failed to take off owing to foreign currency constraints. A healthy surplus was achieved in 2018.

OUTLOOK

Despite the harsh economic environment that characterised 2018 and is projected to persist in 2019, the Authority is expecting to achieve more than eighty percent of its objectives. Rising inflation is, however, expected to pose serious challenges to the regulatory space.

APPRECIATION

On behalf of the incoming POTRAZ Board of Directors, I extend my gratitude to the Ministry of Information Communication Technology, Postal and Courier Services for their guidance. I am also grateful to other Ministries and Government entities for their support. I also extend my gratitude to the outgoing Board of Directors, fellow Board Members, Committee Members, the Director General, Management and staff for their commitment.


T. U. Wushe (Dr)
Board Chairman

UNIVERSAL SERVICE FUND (USF)

INTRODUCTION

During the year ended 31 December 2018, the Universal Service Fund (The Fund) continued with the roll out of projects aimed at extending postal and telecommunications services to both unserved and underserved areas of Zimbabwe despite the economic challenges experienced.

DELIVERING OUR MANDATE

The revenue for the Fund performed above expectation by 24%. A combination of austerity and delayed reinforcement of the human capital for the Fund resulted in 43% savings against the budgeted expenditure. An operating surplus of US\$19.3 million was realised for deployment to meet the Fund's disbursement programme and prior investment commitments.

The Board of Trustees in pursuit of the country's vision of an inclusive connected society, deployed significant resources towards the provision of Information and Communication Technologies (ICTs) to the underserved communities and the disadvantaged citizenry. This strategic thrust nurtured the disbursement of more than US\$10 million towards the construction of Passive Communication Infrastructure (PCI), Community Information Centres (CICs) in Post Offices and Containerised Village Information Centres (CVICs) across the country. To complement the Government's e-learning drive, many rural schools were provided with various ICT gadgets and connected to the internet.

OUTLOOK

The future of the Universal Service Fund looks promising despite the projected working capital constraints imposed by prior investment commitments. Financial support in the form of advances will continue to drive planned activities in the medium term.

APPRECIATION

I extend my gratitude to the current Ministry of Information Communication Technology, Postal

and Courier Services for policy guidance. I also thank the outgoing Board of Trustees, fellow Trustees, the Director General, Management and staff for their commitment towards achieving the USF's targets.

T. U. Wushe (Dr)
Board Chairman





POSTAL AND TELECOMMUNICATIONS REGULATORY AUTHORITY OF ZIMBABWE (POTRAZ)

OPERATING ENVIRONMENT

The telecommunication sector continued to be a critical force for growth, innovation and disruption across all sectors of the economy. The exponential growth trend in data consumption continued unabated. The year 2018 witnessed growth in telecommunications revenues, largely driven by data and internet usage. The hunger for data remained insatiable, and this will continue as a key focus area for all telecommunications players. The internet penetration rate surpassed the 50% mark and is expected to continue growing on the back of 3G and 4G as well as fixed internet technologies such as Fibre and ADSL. Accordingly, data revenue contribution to the total sector revenue stood at 40.2% and is expected to outpace the voice revenue contribution in 2019 as the main driver for

sector growth. The postal and courier sector, however, continued to record depressed service volumes and revenues. The impact of e-substitution on the postal and courier business is expected to continue as the data revolution gathers momentum.

The year 2018 also experienced a myriad of economic hurdles. These included rising inflation, cash shortages, foreign currency scarcity and declining disposable incomes as leading impediments. These imposed various constraints to players in the sector as well as the Authority's regulatory role in the postal and telecommunication sector. The traditional main revenue source, voice traffic, continued to either stagnate or decline due to the proliferation of new more affordable Value Added Services (VAS) such as social media platforms.

The demand for revenue monitoring assurance capacity remained relevant as technological developments have increased arbitrage opportunities in the form of alternative calling procedures that bypass the traditional international traffic revenue collection and accounting systems. Efforts to strengthen the mobilisation of resources to create independent capacity to monitor traffic flows were intensified.

The technological and service convergence taking place throughout all electronic communications value-chains driven by fast technological developments, put pressure on the current licensing regime, making the adoption and implementation of a service and technology neutral licensing regime an urgent imperative that the Government needs to embrace without delay. Further, on the technology front, the emergence of new applications such as Cloud Computing, Internet of Things, Big Data and Artificial Intelligence is deepening the role and adoption of ICTs across the socio-economic realm of Zimbabwe. Unfortunately, with the adoption of these emerging technologies comes the widening of the Digital Divide between the poor and the rich as well as between the urban and the rural.

During the year in review POTRAZ exerted significant efforts towards ensuring that the footprint of mobile broadband networks spreads to areas that, hitherto, were either uncovered or were underserved. Mobile Operators responded well with the deployment of U900, a variant of 3G which utilises spectrum in the 900MHz band. Spectrum in the 900MHz band has good propagation characteristics rendering frequencies in this band suitable for rural broadband coverage, given the low base station density in rural areas.

Emerging technologies are fueling the demand for data throughput. Operators have to respond by perpetually investing in network expansion projects to increase network capacity and throughput. To complement efforts by Operators, the Regulator is hard-pressed to release more spectrum for coverage and capacity enhancement.

REGULATORY AND COMPLIANCE ISSUES

Compliance enforcement

A number of enforcement actions were taken by the Authority to facilitate compliance by operators with sector laws. These included enforcement of licence conditions, especially in relation to payment of licence obligations and provision of accurate regulatory reports. Action to enforce Quality of Service standards were also taken by the Authority.

The Authority complied with all relevant laws of Zimbabwe.

Legislative review

In order to have an effective regulatory framework for the sector, a number of proposals to review the current legislation were mooted and pieces of legislation were drafted. These include amendments to the Postal and Telecommunications Act [Chapter 12:05] which seek to completely overhaul the current Postal and Telecommunications Act by aligning it to technological developments. The draft is still undergoing consultations. Draft Consumer Protection Regulations, amendment of licensing regulations to facilitate licensing of Mobile Virtual Network operators and enforcement regulations to improve the current enforcement framework of sector laws

are currently undergoing examination by the Attorney General.

PERFORMANCE OF THE SECTOR IN 2018

The Authority continued to monitor developments in the sector with the aim of fostering growth. The key trends observed in the year 2018 were as follows:

Marginal Growth in Fixed Mobile and Internet Subscriptions and a Decline in Fixed Subscriptions

The total number of active fixed telephone lines increased by 1.8% to record 268,849 in 2018 from 264,150 recorded in 2017. The fixed tele-density remained at 1.9%. Active mobile subscriptions declined by 8.4% to reach 12,908,992 in 2018 from 14,092,104 recorded in 2017; hence the mobile penetration rate declined by 9.6% to reach 93.1% from 102.7% recorded in 2017. On the other hand, the total number of active internet subscriptions increased by 28.1% to reach 8,933,242 from 6,971,617 recorded in 2017. As a result, the internet penetration rate increased by 13.6% to reach 64.4% from 50.8% recorded in 2017. Active internet subscriptions have been consistently growing as demand and service rollout improves.

Growth in SMS, Voice as well as Internet Usage

The year 2018 marked an upturn in voice traffic. Total voice traffic increased by 14.7% to record 5,048,199,978 minutes in 2018 from 4,400,994,563 minutes recorded in 2017. This was the first year in five years to record a growth in voice traffic. The overall growth in traffic was mainly attributable to the 26.4% growth in on-net traffic because of promotions. A total of 26,295TB of mobile internet and data were consumed in 2018. This represented a 71.2% growth from 15,361TB consumed in 2017. Used incoming international bandwidth capacity also increased by 77.6% to record 84,645Mbps from 47,668Mbps in 2017. SMS volumes recorded considerable growth due to the increased use of electronic financial services. Total SMS volumes grew by 31.2% to record 14.3 million from 10.9 million SMS recorded in 2017.

Growth in Sector Revenue, Operating Costs and a Decline in Capital Expenditure

The sector recorded growth in revenue for a consecutive year. Total revenue for 2018 was US\$1,564,275,216. This represents a 40.9% growth in revenue from US\$1,109,899,246 recorded in 2017. The growth in telecommunications revenue is attributable to the upsurge in the consumption of data and internet in the country. On the other hand, a significant decline in capital expenditure was recorded during the course of the year. Capital expenditure declined by 12.8% to record US\$172.7 million from US\$197.5 million recorded in 2017. A trend of growing operating costs has been observed over the year, with the sector recording an aggregated 23.1% increase in operating costs in 2018.

Market Structures Remained Relatively Unchanged

Market structures remained relatively unchanged across postal and telecommunications markets in 2018. The list of the licensed operators in the various markets as at December 2018 is provided in the following table:-

Table 1: Licensed Operators as at 31 December 2018

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. Aquiva
		3. Dandemutande
		4. Liquid
		5. Pecus
		6. Powertel
		7. Telecontract
		8. 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. Courier Connect
		4. Unifreight/Swift
		5. Innscor Transport Company t/a Overnight Express
		6. United Parcel Services (UPS)
		7. Skynet
		8. Tuma Logistics

CONSUMER PROTECTION

Consumer Education and Awareness Campaigns

A total of sixty (60) Consumer Education and Awareness Campaigns were conducted in all the ten (10) provinces of the country in 2018, up from twenty-five (25) conducted in 2017. An estimated eighty-five thousand (85,000) consumers physically attended the roadshows. The Authority conducted these roadshows using various media outlets and partners with most being done in collaboration with the country's popular radio station, Radio Zimbabwe. The edutainment approach was vital in stimulating learning and participation by the consumers. The Authority engaged various mainstream media organisations to disseminate consumer education information through various channels.

Complaints and Queries

In 2018, the Authority successfully handled fifty-three (53) consumer complaints up from the twenty-two (22) handled in 2017. This can be attributed to the increased aggressive consumer education through awareness campaigns and the publicity of such. Most of the complaints against service providers included quality of service, depletion of data bundles, billing system issues, network access and data affordability. The Authority intervened in the cases leading to operators in some instances being ordered to reimburse subscribers. Most of the enquiries handled on social media platforms were on matters concerning Ecocash services and the respective consumers were referred to the Reserve Bank of Zimbabwe.

TARIFF REGULATION

The Authority reviewed tariff thresholds for telecommunication services in June 2018

based on the 2017 Long Run Incremental Costing (LRIC) models updates. The revised thresholds were announced on 20 June 2018 and became effective from 1 July 2018. The thresholds set were 5 cents per MB for out of bundle mobile data down from 12.5 cents per MB; 5 cents per session for USSD down from 12.5 cents; interconnection rate was reduced from 4 cents per minute to 2 cents per minute exclusive of taxes. The thresholds for fixed Voice charges as well as Internet/Data charges for Internet Access Providers (IAPs) services were left to market forces subject to regulatory approval.

Promotions and New Services

Various promotions and new services were approved and introduced in the sector. Notable products introduced in the sector include Econet Ilixi product, TelOne's Digital Entertainment on Demand (DEOD) product and NetOne's OneMoney product over and above the social bundles that encompass Facebook, WhatsApp and Twitter bundles that the three (3) mobile operators were offering.

SADC Home and Away Roaming Project

The SADC Home and Away Roaming project saw the development of a cost model for roaming services in the SADC region, whose results will be presented to SADC telecommunications regulators in the first quarter of 2019. An international consultant called MARPIJ that was engaged by CRASA in 2018 built the cost models. Zimbabwe is abreast with the costing exercise and managed to submit the operator data information needed for the cost model. It is expected that the cost model will be implemented during the course of 2019.



A Consumer Education and Awareness Campaign underway.

SPECTRUM RESOURCES

The Authority, through the then Ministry of ICT and Cyber Security, launched the inaugural version of the Zimbabwe National Frequency Allocation Plan (ZNFAP). The ZNFAP forms the basis for the orderly development, deployment, importation and manufacturing of radio systems as well as spectrum utilisation activities in Zimbabwe. The Plan was developed in keeping with the Radio Regulations of the International Telecommunication Union (ITU) and the SADC Frequency Allocation Plan.

The Plan is aimed at providing sufficient spectrum to all services that are relevant to Zimbabwe and to cater for the future needs of existing and emerging technologies, applications and services. The planning and development of the ZNFAP were based on the long established principles of equitable access by relevant services, international harmonisation, maximising the public utility of the radio resource and fostering technology-based innovation.

Elsewhere on the management of Spectrum Resources, Operators with existing assignments in the 800 MHz and 2600 MHz band were directed to reorganise their networks to align with the assignments which they were allocated in 2016 and 2017. The reorganisation was meant to pave way for the rollout of Long Term Evolution (LTE)-based mobile broadband networks in the bands.

In 2018, the Authority started consulting on conditions for use of PMR 446 (Walkie Talkies operating in the 446MHz band) as well as on Conditions for use of 2400 MHz and 5GHz ISM bands for Broadband in the rural areas of Zimbabwe.

PROJECTS

1. Automated Quality of Service Monitoring System

The major objective of this project is to enhance the monitoring of conveyance of mail and parcels especially given the emergence of E-commerce the world over. Scoping of 35 selected sites was successfully completed and a report was forwarded to Universal Postal Union (UPU). A contract was signed with the supplier of the system. Invoices and request for payment were submitted for consideration by the Reserve Bank of Zimbabwe. The non-availability of foreign currency to pay for the equipment was the major obstacle.

2. Postal Sector Policy Review

The Authority, working closely with its Parent Ministry, commenced the process of facilitating the review of the National Postal Sector Policy. The non-availability of foreign currency forced the Authority to withdraw the award of the tender to the winning bidder as contract negotiations collapsed due to failure by the Authority to confirm availability of the foreign currency required upfront. The Authority proceeded to engage in negotiations with the second compliant bidder who accepted full payment locally but no meaningful progress was made on the project.

3. International Letter Writing Competition

The Authority, in conjunction with the Ministry of Primary and Secondary Education organised the Universal Postal Union (UPU) International Letter Writing competition at national level for young people up to 15 years of age. The theme for 2018 was, "Imagine you are a letter travelling through time. What message do you wish to convey to your readers?" Six thousand five hundred and seventy-seven (6,577) entries were received.

Director General's Report

Table 2: Provincial Winners of the 2018 International Letter Writing Competition

POSITION	NAME	GENDER	AGE (YRS)	SCHOOL	PROVINCE
1	Anna Chiyambiro	F	15	Seke 1 High School	Harare
2	Tongayi Masunda	M	10	Lytton Primary School	
3	Tinotenda Madzivanyika	M	13	Glen View 1 Secondary School	
1	Thembie Hezel Ndebele	F	12	Allan Redfern Primary School	Mat South
2	Nontobeko Ncube	F	14	Manama High School	
3	Kim T.R. Ncube	F	12	Thekwani High School	
1	Leslie Nyenya	F	12	Queen Elizabeth 2 Primary School	Bulawayo
2	Bonginhlelo Moyo	F	12	Queen Elizabeth 2 Primary School	
3	Chido Pakai	F	11	Queen Elizabeth 2 Primary School	
1	Melisa Dongo	F	15	St Paul's Mission	Mash East
2	Mitchel Makina	F	15	Mandedza High School	
3	Makanaka Nengare	F	15	St Francis of Assisi High School	
1	Runyararo Zhou	F	15	Howard High School	Mash Central
2	Blessing Rufaro Kadzere	M	14	Howard High School	
3	Shauna R. Muchabveya	F	12	Umvukwes Primary School	
1	McIntyre Kachepa	M	14	Kutama College	Mash West
2	Stephen Murumbi	M	10	Garoyi Primary School	
3	Heather Tom	F	14	Nyamhunga High School	
1	Nancy Mashinya	F	14	Murambinda B Secondary School	Manicaland
2	Desire Munyanyi	M	14	Nyashanu High School	
3	Mufaro Shonhiwa	F	14	Hillcrest College	
1	Ayanda Maphala	F	13	Hlangabeza High School	Mat North
2	Leticia L. Madzima	F	12	Dimpamiwa Primary School	
3	Tinotenda Nyaku	F	14	Hlangabeza High School	
1	Laura Nenguwo	F	14	Gutu High School	Masvingo
2	Tadiwanashe Rufasha	M	13	Gutu High School	
3	Fadzai Dondo	F	14	Gutu High School	
1	Roy Mapirivana	M	14	Holy Cross High School	Midlands
2	Munyaradzi Nomailinga	M	14	Fletcher High School	
3	Chauke Charity	F	14	St Patricks High School	

National Winners

The national winners were as outlined in the table below:-

Table 3: 2018 National Winners of the Letter Writing Competition

POSITION	NAME	GENDER	AGE (YRS)	SCHOOL
1	Roy Mapirivana	M	14	Holy Cross High School
2	Runyararo Zhou	F	15	Howard High School
3	Munyaradzi Nomailinga	M	14	Fletcher High School

National level winners received their prizes during World Post Day commemorations that were held on 23 November 2018 in Mudzi, Mashonaland East Province. The national winning entry by fourteen year old Roy Mapirivana from Holy Cross High School was submitted to the UPU to compete with entries from other UPU Member Countries. Thirteen-year-old Chara Phoka from Cyprus was the 2018 winner at International level.

Consumer Satisfaction Survey

The Authority engaged Topline Research Consultants to conduct the 2018 Consumer Satisfaction Survey across the whole country. The draft 2018 Consumer Satisfaction Survey report was presented to the Authority by the consultants. The results revealed that consumer satisfaction indices were 69.95% and 77% for individuals in households and corporates respectively. The launch of the Consumer Satisfaction survey report is expected in 2019.

ICT Access and Use Surveys

The Authority successfully launched the 2017 ICT Access and Use by Educational and Health Facilities survey reports. The reports were also uploaded on the POTRAZ website for public consumption.

HUMAN RESOURCES

In 2018, the staff complement comprised of 89 POTRAZ employees and 3 Universal Postal Union employees. The Authority continued to

implement staff retention strategies in line with the approved Conditions of Service. The Authority lost one member of staff during the year.

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

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

The end of year function was graced by the Honourable Minister, Honourable Deputy Minister and Permanent Secretary of the Ministry of ICT and Courier Services. A total of 12 employees received long service awards ranging from 5, 10 and 15 years. The Director General's Worker of the Year Award which was introduced in 2017 resulted in three employees receiving prizes for outstanding performance for the year 2018.



2018 Consumer Satisfaction Survey
Report Launch

CORPORATE SOCIAL RESPONSIBILITY

The Authority is a socially responsible organisation that continues to assist and support under-privileged members of the community through its Corporate Social Responsibility programme. In 2018, the Authority extended a hand to the following institutions:-

- St Agnes Children's Home in Gokwe received US\$5,000.00 worth of groceries and toiletries on 8 March 2018.
- Albino Association of Zimbabwe received US\$10,000.00 worth of sunscreen lotions on 20 September 2018.
- KidzCan Zimbabwe received US\$50,000.00 worth of medical supplies for cancer patients on 20 September 2018.
- Mutemwa Leprosy Centre received US\$5,000.00 worth of groceries and toiletries on 21 September 2018.
- The Ministry of Health and Child Care received US\$200,000.00 towards the cholera outbreak on 2 October 2018.
- Construction of Macha Primary School in Binga continued.

INTERNATIONAL REPRESENTATION

Zimbabwe is a member of various international bodies in the ICT sphere. The Authority is responsible for meeting all the obligations for the country. These commitments include providing facilities promised in hosting agreements, paying for annual subscriptions, hosting regional and international meetings, participating at various international meetings, paying for various monitoring software among other imperatives. While all international subscriptions were current in 2018, the possibility of some falling into arrears was evident from the failure of the Reserve Bank of Zimbabwe to allocate adequate foreign currency to meet the Authority's applications. Maintenance contracts were already in arrears and a few vendors started to slow down on their upkeep support. Various stopgap improvisations were instituted to ensure that the systems continued to function.

The year 2018 saw the Authority participating at many international fora including the International Telecommunication Union Plenipotentiary Conference and the African Telecommunication Union Plenipotentiary Conference. Participation also happened at the Pan African Postal Union, the African Advanced Learning Telecommunication Institute, the Communication Regulators

Association of Southern Africa and the Universal Postal Union meetings.

The Authority also represented Zimbabwe at international conferences where international regulations, conventions and protocols for the sector were formulated and or reviewed. In particular, legal input was provided to the Communications Regulators Association of Southern Africa in reviewing the Constitution to provide for membership of managers of Universal Service Funds; Pan African Postal Union where amendments to the Constitution were drafted and approved by Plenipotentiaries; African Telecommunications Union and the International Telecommunications Union among other organisations POTRAZ is affiliated to. As a result of international representation, Zimbabwe's positions on different sector issues were advanced and taken on board. Two of the Authority's staff members were appointed to chair some study group meetings at the International Telecommunication Union. The Authority also financed the campaign for Dr. Cosmas Zavazava for the elective post of Director of the International Telecommunications Union Development Bureau (BDT). After putting up an impressive performance, he eventually lost the post to an American competitor due to geo-economic political dynamics.

COMMEMORATIONS

The Authority coordinated the commemoration of the following important days on the International calendar:

Girls in ICT Day

Internationally Girls in ICT is celebrated every year to create a global environment that empowers and encourages girls and young women to consider careers in the growing field of Information and Communication Technology (ICT). For 2018, Girls in ICT Day was commemorated on 15 May 2018 at Monte Casino School in Mashonaland East Province under the theme “Expand Horizons, change attitudes”.

World Telecommunication and Information Society Day

The World Telecommunication and Information Society Day (WTISD) is celebrated universally on 17 May to help raise awareness on the use of Information and Communication Technologies (ICT) to societies. For 2018, World Telecommunication and Information Society Day was commemorated on 17 May 2018 at Murewa Centre in Mashonaland East Province under the theme “Enabling the positive use of Artificial Intelligence for all”.

World Post Day

World Post Day is celebrated each year on 9 October to mark the anniversary of the founding of the Universal Postal Union in 1874 and reaffirm the role of the postal service as an important provider of information. For 2018, World Post Day was commemorated on 23 November 2018 in Mudzi, Mashonaland East Province under the theme “The Post: Delivering Good to the World”.



Girls in ICT 2018 Event
at Monte Casino High School

FINANCIAL PERFORMANCE

The Authority was not spared from the persistent foreign currency shortages that besieged 2018 as payment requests for foreign obligations continued to pile at various banks with insignificant traction towards remittances. However, engagements with international creditors ensured smooth flow of business. Locally, the Authority experienced general liquidity improvement as it intensified its debt collection efforts. This resulted in a 2% increase in net trade debtors compared to 2017. State Enterprises & Parastatals (SEPs), nonetheless, remained the Authority's biggest debtors after they failed to timeously meet their licence obligations. However, despite this set back, the Authority managed to collect US\$34.9 million revenue including interest compared to US\$31.9 million recorded in 2017. Without compromising service delivery, the Authority managed to contain expenses and spent US\$18.3 million, slightly below the US\$18.4 million spent in 2017 despite the surge in prices witnessed during the last quarter of 2018. This was attained through austerity and various efficiency measures implemented.

Financial resources that were not immediately required for projects and activities were invested at an average annual return of 3.5% per annum and yielded total interest income of US\$951 000. Thus, the total surplus increased by 23% to US\$16.6 million in 2018 from the US\$13.5 million achieved in 2017. The Authority, therefore, enjoyed a healthy liquidity position throughout the year and ended the year with cash resources of more than US\$30million. The statement of financial position (Balance Sheet) of the Authority was strengthened with net assets closing the year at US\$106 million from US\$90 million in 2017.

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 which made it very difficult for the Authority to fully implement its infrastructure development programmes. Of the US\$17.7million earmarked for capital expenditure in 2018, only US\$3.4 million was deployed and many projects were deferred to 2019.

OUTLOOK

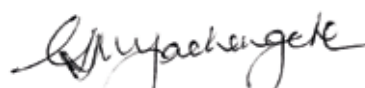
The year 2019 is likely to experience increasing inflation driven by various economic fundamentals that are likely to perform below expectation. The major threat is projected to be the shortage of foreign currency. Despite these likely hurdles, the Authority is expected to achieve more than seventy percent of its planned activities.

The Authority is also planning to maintain a healthy working capital position throughout the year. Furthermore, it anticipates to achieve a surplus and also to be able to make advances to the Universal Service Fund for its operations.

Good corporate governance will continue to be the key driver in delivering the Authority's mandate.

APPRECIATION

The guidance by the Ministry of ICT, Postal and Courier Services and the Board Members as well as contributions by all other stakeholders is highly appreciated as their collective efforts resulted in the success of the Authority. I also thank management and staff members for their commitment towards the discharge of the Authority's mandate.



G. K. Machengete (Dr)
Director General

UNIVERSAL SERVICE FUND (USF)

1. OPERATING ENVIRONMENT

The year 2018 was a mixed bag for the Universal Service Fund (USF). Significant operational challenges were encountered. However, strides never achieved before were witnessed through tactical management initiatives.

2. USF PROJECTS

The Fund's activities are heavily dependent on foreign currency allocations. The year 2018 witnessed depressed foreign currency generation, hence allocations were tightened as the Reserve Bank sparingly prioritised the little amounts that were received. This challenge slowed down the Fund's strategic thrust to provide connectivity to the underserved and unserved communities. Meanwhile, demand for the Fund's interventions remained very high in many marginalised areas across the country. Despite the constraints, management was able to spread its reach far and wide albeit in quantities that could be improved, in the implementation of the following projects:-

Five (5) Shared Multi-Operator Radio Access Network (MORAN) Project
Five Multi-Operator Radio Access Network

(MORAN) base stations were rolled out during the year in review. The MORAN Project is part of the Authority's efforts to universalise broadband services and to foster infrastructure sharing among the providers of telecommunication services in Zimbabwe.

The aim of the project was to provide geographical network coverage around Muswewenhede in Mashonaland Central, Dendera in Midlands, Pumula in Matabeleland North, Mayobodo in Matabeleland South and Gachegache in Mashonaland West Province.

Community Information Centres

In 2018, USF renovated sixty-two (62) Post Offices in preparation for the establishment of Community Information Centres (CICs).

CICs are public facilities where members of the communities access computers, Internet and other digital services. The CICs enable the community to exchange information, create opportunities and provide a learning platform. The main purpose of establishing CICs is to bridge the digital divide between the marginalised communities and urban centres by providing ICT services to the marginalised communities. The USF provided Internet connectivity, computers and other facilities at the CICs at no cost to the community. USF also paid for CICs Internet Bandwidth subscriptions.



POTRAZ Director General, Dr Machengete enjoying gaming at the Chinhoyi Community Information Centre

A total of one hundred and forty-six (146) Post Offices have been renovated by the USF for purposes of establishing CICs countrywide to date. Of these, in 2018 alone, the USF operationalised sixty-one (61) CICs. The CICs were connected to the internet and provided with servers, computers and multi-purpose printer/scanners. CIC Administrators and trainers, where there are training facilities, were recruited from the local communities. A total of seventy-three (73) CICs have been operationalised to date.

Fourteen (14) CICs are offering free Basic Computer Appreciation training to the community.

Containerised Village Information Centres

The objectives of Containerised Village Information Centres (CVICs) are the same as CICs. CVICs were established at sites with no Post Offices or space within the existing Post Offices. The target for the first phase of this project was to deploy 24 CVICs in the eight (8) rural provinces with each province having three (3) CVICs.

By December 2018, deployment had been completed at twenty-two sites, being POTRAZ HQ, Manoti, Selous, Rutenga, Nyanyadzi, Nkayi, Chirundu, Dorowa, Maranda, Tongogara, Bikita, Buhera, Binga, Nyachuru, Nyadire, Madziwa, St Alberts, Raffingora, Mnene, Karanda Mission Hospital, Majuru and St. Therese Mission.

Deployment was delayed for two (2) sites in Matabeleland South Province. Gwanda RDC and Matobo RDC were initially requesting for payment of land and lease fees for Stanmore and Brunapeg respectively.

CVICs are easy to establish and deploy compared to permanent structures. CVICs are temporary structures and no approval of building plans is required. CVICs are mobile and can be moved from one area to another if the need arises.

Telemedicine Project

A pilot telemedicine project was completed in Chimanimani and Nyanga districts of Manicaland province in June 2018. The aim of the telemedicine project is to provide specialist healthcare services to patients in rural health centres or district hospitals through ICT platforms.

Six (6) Rural Health Centres in Chimanimani District were connected to Mutambara Mission Hospital and six (6) Rural Health Centres in Nyanga District were connected to Nyanga District Hospital using VSAT technology. Mutambara Mission Hospital and Nyanga District Hospital were then linked to Mutare General Hospital and to Parirenyatwa Referral Hospital respectively.

The six (6) Rural Health Centres in Chimanimani District that are connected to Mutambara Mission Hospital are Chakohwa, Chimanimani, Muchadziya, Ngorima, Nyahode and Nyanyadzi. The six (6) Rural Health Centres connected to Nyanga District Hospital are Avilla, Fombe, Mt Melleray, Nyafaro, Nyatate and Tombo.

A total of sixteen (16) medical institutions benefited from the project and sixteen (16) Transportable Examination Stations/kits (TES), four (4) x Clinician Laptops, sixteen (16) x Box of Tongue Depressors, four (4) x Ultra sound scan devices, four (4) x Electrocardiography (ECG) devices and some accessories were deployed.

The project was jointly funded and implemented by the International Telecommunications Union (ITU). Other key stakeholders included the Ministry of Health and Child Welfare and the Ministry of ICT and Courier Services.

The Authority faced challenges in the procurement of standby diesel generators for the project owing to foreign currency shortages. Tenders were floated twice and suppliers could not access foreign currency for the supply and installation of the generators. ICT Equipment for People Living with Disabilities

The USF procured ICT equipment and specialised software for people living with disabilities and people with special needs. The objective of this project is to provide access to ICT services by people with disabilities and people with special needs. The following four (4) institutions housing people with disabilities and two (2) libraries benefitted from the project.

Table 4: Beneficiaries of ICT equipment for People Living with Disabilities

Name of Institution	Number of Gadgets
Mckeurtan Primary School in Bulawayo	13 Laptop Computers
Karoi High School	13 Laptop Computers
Dorothy Duncan Centre in Harare	10 Laptop Computers
Jairos Jiri Centre in Kadoma	23 Laptop Computers
Bulawayo Public Library	15 Laptop Computers
Harare City Library	15 Laptop Computers

All the institutions require specialised assistive software. Contracts for the supply of assistive software were awarded to foreign suppliers. The USF is waiting for foreign currency allocation from the Reserve Bank of Zimbabwe. As plan B the USF engaged a local supplier who was willing to accept local currency. However, no agreement could be reached due to price fluctuations in the market.

1300 Schools Connectivity Project

The project is meant to provide internet connectivity, websites with e-learning content, Voice over Internet Protocol (VoIP) Telephone lines, E-mail services and video conferencing equipment to 1300 schools. The contract for the project was awarded to Zimbabwe Academic Research Network (ZARNet) for implementation. In 2018, ZARNet managed to connect seven hundred and eighty (780) schools. Development of websites and installation of VoIP phones will be implemented in 2019.

E-Learning Project

The objective of the project is to procure and distribute ICT devices to schools in Zimbabwe to enhance e-learning activities. The USF disbursed three thousand two hundred and twenty four (3224) computers to two hundred and twenty-one (221) schools and libraries under the e-learning programme in 2018. There were some challenges as some contractors could not secure foreign currency to procure computers outside the country.

Masvingo High School Science Laboratory

The USF offered to establish a state of the art computer science laboratory at Masvingo High School and equip it with computers as part of the e-learning programme. A contract was awarded to Real Building Construction. Due to the escalating cost of building materials, the contractor abandoned site soon after completing demolitions.

The USF has engaged the Zimbabwe National Army Engineering section to provide labour while paying for materials direct to suppliers. The two parties are still in discussions on the matter.

The ICT Innovation Drive

The ICT Innovation Drive was launched by His Excellency, President E.D. Mnangagwa on 14 March 2018. Disbursement of funding to the initial six (6) beneficiaries, whose loan applications were approved, started in June 2018 and they are currently in the process of rolling out their projects. A total of US\$303,913.00 is being disbursed under the first cycle of applications. At the close of 2018, the Authority was receiving applications under the second call for proposals and three more proposals were identified for possible funding.

FINANCIAL PERFORMANCE

The Fund surpassed its budgeted income by US\$3.9 million (24%) despite the harsh economic environment that prevailed in 2018. The Fund collected revenue amounting to US\$20.2 million during the reporting period. The total revenue generated in 2018 was 30% above the revenue collected in 2017. The 2018 revenue was boosted by a donation in kind by Huawei Technologies Company Limited that constructed five Multi Operator Radio Access Network (MORAN) base stations worth US\$983,383.

Operating expenses achieved savings of US\$0.857 million compared to a budget of US\$1.5 million (57%). This positive result was due to a combination of efficiency measures implemented and delays in beefing up the human capital for the Fund in line with delays experienced on commencement of some key projects. Thus US\$19.3 million of the US\$20.2 million collected was available as operating surplus for disbursements to various projects. More than US\$10 million was disbursed during the period under review. Major deployments were towards MORAN base stations (US\$1.6 million), Community Information Centres (US\$4.6 million), e-learning programmes (US\$2.6 million) and Connectivity for Rural Schools project (US\$0.690 million).

The Fund committed US\$12million towards the acquisition of a stake in Telecel International in line with its investment initiative supported by the Government. Given other various obligations enumerated above, advances of US\$9.3million were sourced to close the consequential working capital gap.

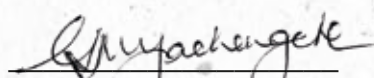
A combination of the above operations culminated in the Fund achieving a surplus of US\$7.4 million which improved the Fund's Retained Income to US\$34 million. The Accumulated Fund has been growing steadily over the years.

OUTLOOK

The constrained working capital position that prevailed for the Fund in 2018 is expected to continue in 2019. Management will implement measures that will ensure that the projected activities are achieved satisfactorily in the same manner that was witnessed during 2018. In addition the Fund will explore other funding sources such as partnering with financiers in Build Transfer Operate (BTO) arrangements. The human capital of the Fund is expected to be strengthened to enhance the Fund's service delivery.

APPRECIATION

My appreciation and gratitude go to the Ministry of ICT, Postal and Courier Services, the USF Board of Trustees, all other stakeholders and the entire staff for contributing towards the successes registered by the USF in executing its mandate.



G. K. Machengete (Dr)
Director 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 2018.

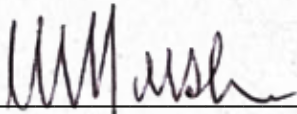
Directorate

Mr O. Bvute and Major General (Retired) S.S. Khumalo resigned on 30 August 2018 following their election to the House of Assembly in the July 2018 harmonised elections.

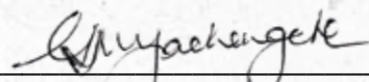
The terms of office of Mrs D. Sibanda, Dr N. Saungweme, Mr F. Shavi and Mr W. Marufu who were appointed on 1 November 2015 expired on 31 October 2018 after serving for three years. Mr T. R. Tan-yaniwa was appointed on 15 April 2016 and his term of office will expire on 14 April 2019 after serving for three years.

Auditors

At the 2018 Annual General Meeting, the directors will fix the remuneration of the auditors for the past audit and confirm the appointment of auditors for the following 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 following year.



T. U. Wushe (Dr)
Board Chairman



G. K. Machengete (Dr)
DIRECTOR GENERAL

DIRECTORS' RESPONSIBILITY STATEMENT

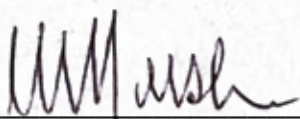
The Authority's Directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards (IFRS) and in a manner required by the Postal and Telecommunications Act [Chapter 12:05], the Public Finance Management Act [Chapter 22:19] and the Public Entities Corporate Governance Act [Chapter 10:31] 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.

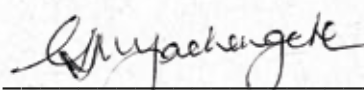
The auditors are responsible for independently auditing and reporting on the financial statements. The financial statements have been examined by the Office of the Auditor General and their report is part of this Annual Report.

The annual financial statements have been prepared under the supervision of Mr B. Chiripanhura, the Director Finance. The Board of Directors assumed responsibility for the financial statements.

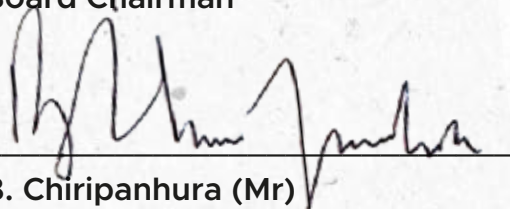
The same Directors Responsibility Statement is applicable to the Universal Service Fund.



T. U. Wushe (Dr)
Board Chairman



G. K. Machengete (Dr)
Director General



B. Chiripanhura (Mr)
Director Finance

CORPORATE GOVERNANCE REPORT

Board of Directors

All the seven (7) 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].

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 as well as the Public Entities Corporate Governance (PECG) Act with respect to the prescribed skills mix which included telecommunications, engineering, law, accountancy and administration.

Mr O. Bvute and Major General (Retired) S.S. Khumalo resigned on 30 August 2018 following their election to the House of Assembly in the July 2018 harmonised elections.

The terms of office of Mrs D. Sibanda, Dr N. Saungweme, Mr F. Shavi and Mr W. Marufu who were appointed on 1 November 2015 expired on 31 October 2018 after serving for three years. Mr T. R. Tanyanyiwa was appointed on 15 April 2016 and his term of office will expire on 14 April 2019 after serving for three years.

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), the National Code on Corporate Governance Zimbabwe (2014), the Public Entities Corporate Governance Act as well as all relevant legislation, relevant International Accounting Standards and other regional and international guidelines on corporate governance. In the 2018 financial year, the Authority complied with the laws of Zimbabwe and the Postal and Telecommunications Act, the Public Entities Corporate Governance 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 and codes.

The Authority specifically complied with the PEGC Act, as follows:-

- A strategic plan covering the period 2019 to 2023 was drawn and in compliance with the PEGC Act, the Ministry of ICT and Courier Services, Ministry of Finance, Office of the President and Cabinet Corporate Governance Unit, Operators, representatives of people living with disabilities, among others were consulted.
- The Director General's performance contract and the strategic plan were duly submitted to the Ministry and the Office of the President and Cabinet Corporate Governance Unit within the timelines stipulated in the PEGC Act.
- Board members and Senior Staff members particulars were submitted to the Office of the President and Cabinet Corporate Governance Unit within the timelines stipulated in the PEGC Act.
- Board members and Senior Staff members declared their assets in compliance with the PEGC Act.
- The 2017 Annual Report was produced and distributed to stakeholders. A copy was posted on the Authority's website.
- The 2018 Annual General meeting was duly convened and the Office of the President and Cabinet Corporate Governance Unit, Ministry of Finance, the Ministry of ICT and Courier Services, the Auditor General, among others were invited and they attended the meeting.
- Annual Board performance evaluation for the year 2017 was duly conducted.
- The Board of Directors held four cycles of Board Committees and Board meetings in 2018.

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 2018, the Board constituted six Board Committees, namely the Technical Committee, Human Resources

Committee, Risk Committee, Legal Committee, Audit Committee and Finance Committee. Each Committee operated within Terms of Reference which define its composition, role and responsibilities. Every Committee comprised a majority of Non-Executive Directors and was chaired by a Non-Executive Director.

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 for licences 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;
- v. Proper policies and internal control systems to safeguard the assets of the Authority.

Report of the Directors

Board Committee and Board Meetings Attendance Record

Attendance at both Board and Board Committee meetings in 2018 was as set out in the table below:-

Name	Main Board POTRAZ 4 Meetings	Main Board USF 4 Meetings	Technical Committee 6 Meetings	Human Resources Committee 4 Meetings	Risk Committee 4 Meetings	Legal Committee 4 Meetings	Audit Committee 5 Meetings	Finance Committee 4 Meetings
Ozias Bvute *	2	2	NM	NM	NM	NM	NM	1
Sibangumuzi S. Khumalo*	3	3	5	3	2	2	NM	3
Doreen Sibanda ****	3	3	NM	NM	4	4	NM	NM
Nancy Saungweme ****	3	3	NM	4	2	NM	NM	4
Winstone Marufu ****	4	4	6	NM	NM	NM	5	NM
Fradson Shavi ****	4	4	6	NM	3	2	NM	NM
Tinashe R Tanyanyiwa	4	4	NM	4	NM	4	5	NM
Gift K Machengete	4	4	4	1	3	2	NM	2
Clemence Ruzengwe **	NM	NM	NM	NM	NM	NM	4	NM
Raymond T. Chinembiri ***	2	2	2	2	NM	NM	NM	2
Biggie Chiripanhura	NM	NM	NM	NM	NM	NM	NM	4
Baxton Sirewu	NM	NM	2	NM	NM	NM	NM	NM
Avilla D Goba	NM	NM	NM	4	NM	NM	NM	NM
Caecilia Nyamutswa	NM	NM	NM	NM	4	3	NM	NM

* = resigned on 30 August 2018

** = Audit Committee member only

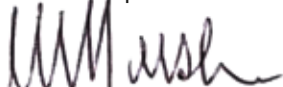
*** = Ministry's Representative on the Board

**** = Term ended on 31 October 2018

NM = Not a member of the Board Committee or meeting in question

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

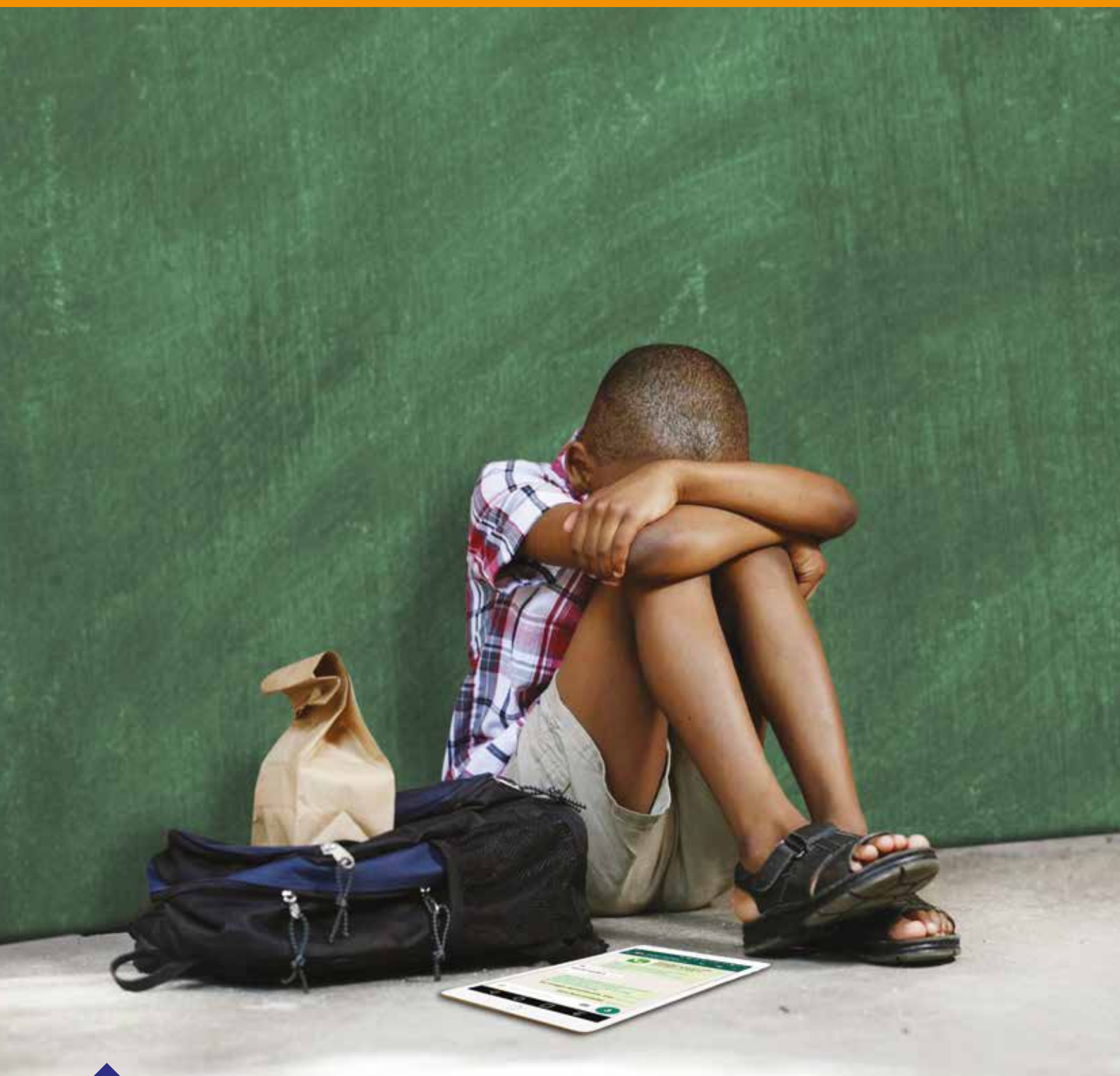
This Corporate Governance Report is hereby signed by the Board Chairman.



T. U. Wushe (Dr)

Board Chairman

**Postal and Telecommunications Regulatory Authority
of Zimbabwe Financial Statements
For The Year Ended December 31, 2018**



Let us all fight Cyberbullying

**REPORT OF THE AUDITOR-GENERAL
TO
THE MINISTER OF INFORMATION COMMUNICATION TECHNOLOGY,
POSTAL AND COURIER SERVICES
AND
THE BOARD OF DIRECTORS
IN RESPECT OF THE FINANCIAL STATEMENTS OF THE
POSTAL AND TELECOMMUNICATIONS REGULATORY AUTHORITY OF ZIMBABWE
FOR THE YEAR ENDED DECEMBER 31, 2018**

Report on the Audit of the Financial Statements

Adverse Opinion

I have audited the financial statements of Postal and Telecommunications Regulatory Authority of Zimbabwe set out on pages 6 to 22, which comprise the statement of financial position as at December 31, 2018, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

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

Basis for Adverse Opinion

As explained in notes 2.4, 3.7 and 18 of the financial statements the Authority did not fully comply with the provisions of International Accounting Standard 21 “The effects of Changes in Foreign Exchange rate” as Statutory Instrument 33 of 2019 precluded the Authority from applying an independent assessment of functional currency as required by the accounting standard and in terms of the guidance provided by the Public Accountants and Auditors Board (PAAB). The need to account for these effects emanated from the ‘multi-tiered’ pricing environment that was prevailing during the year under review, where settlement of transactions was depended on

the mode of payment, whether USD cash, RTGS, bond notes and mobile money. Shortage of foreign currency also resulted in foreign exchange rate disparities between RTGS and US\$. This in turn affected the pricing structures to incorporate foreign exchange rate movements on the RTGS and bond notes, hence the need to comply with IAS 21 to reflect effects of these changes in the preparation of financial statements. This ‘multi-tiered pricing environment resulted in transactions bearing similarities to what one would expect with transactions that are undertaken in different currencies to which IAS 21 would apply. Had the Authority complied with the requirements of IAS 21, many elements in the accompanying financial statements would have been materially affected. The effects on the financial statements of the failure to comply with the requirements of IAS 21 have not been determined.

As a result of these factors the directors performed an assessment on the functional currency of the Authority in accordance with IAS 21, The Effects of Changes in Foreign Exchange Rates (IAS 21), and acknowledge that the functional currency of the Authority was no longer the US\$. In February 2019, an electronic currency called the RTGS dollar was introduced through Statutory Instrument 33 of 2019 with an effective date of February 22, 2019 and the currency commenced trading at a rate of 2.5 to the US\$. In addition S.I 33 fixed the exchange rate between the RTGS dollar and the US\$ at a rate of 1:1 for periods before the effective date.

I conducted my audit in accordance with International Standards on Auditing (ISA) and International Standards of Supreme Audit Institutions (ISSAI). My responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report. I am independent of Postal and Telecommunications Regulatory Authority of Zimbabwe 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 of Postal and Telecommunications Regulatory Authority of Zimbabwe for the year ended December 31, 2018. These matters were addressed in the context of my audit of the Postal and Telecommunications Regulatory Authority of Zimbabwe financial statements as a whole and, in forming my opinion thereon, and I do not provide a separate opinion on these matters. In addition to the matter described in the basis for adverse opinion section, I have determined the matters described below to be the key audit matters to be communicated in my report.

Key Audit Matter	How the matter was addressed in the audit
<p>Valuation of trade receivables. Due to adoption of IFRS 9 on January 01, 2018, the entity calculated the expected credit losses using the simplified approach as this is specifically designated for trade receivables or contract assets that arise from transactions that are within the scope of IFRS 15 (para 5.1.15).</p> <p>Trade debtors are carried at anticipated realizable value. An estimate is made for expected credit losses based on review of all outstanding amounts at the year end. Bad debts are written off during the year in which they are identified.</p> <p>On the date of initial adoption (January 01, 2018) of IFRS 9, management estimated expected credit losses amounting to \$38 954 894 as at December 31, 2018.</p> <p>The valuation of trade receivables is dependent on certain key assumptions that require significant management judgement. As a result, the valuation of receivables was significant to my audit.</p>	<p>My audit procedures to address the risk of material misstatement relating to the valuation of trade receivables included:</p> <ul style="list-style-type: none"> Assessed the recoverability of material long outstanding receivables by making comparison of the rate of collection in the current year and prior year. Evaluated management's impairment model including a description of the reasonable and supportable information used in its model to determine whether there has been a significant increase in credit risk since initial recognition of its financial assets and to support all inputs and assumptions relating to the model. I evaluated the assessment of the allowance for credit losses made by management to test adequacy. 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, current and future assumptions. Assessed whether the appropriate and adequate impairment disclosures have been made in the financial statements as per IFRS 9. <p>I found the key assumptions used in the valuation of trade receivables to be appropriate and I did not identify material issues with adequacy of allowance for credit losses.</p>

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 2018 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.

Responsibility of Management and Those Charged with Governance 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 for the Audit of the Financial statements

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material 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.

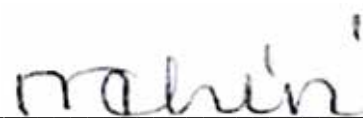
I also provide those charged with governance with a statement that I have complied with the relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on my independence, and where applicable, related safeguards.

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], the Public Finance Management Act [Chapter 22:19] and other relevant Statutory Instruments.

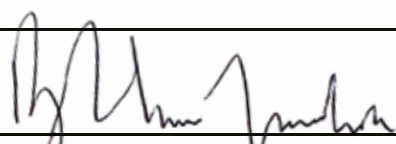
September 19
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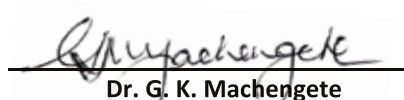
M. CHIRI (MRS),
AUDITOR-GENERAL

	Note	2 018 US\$	2017 US\$
ASSETS			
Non-Current Assets		40 889 379	39 190 533
Property, plant and equipment	4	37 919 248	36 091 095
Financial asset	5	2 906 457	2 906 457
Intangible assets	6	63 674	192 981
Current assets		83 770 505	69 967 769
Inventory	7	66 279	78 305
Trade and other receivables	8	48 907 977	47 745 364
Prepayments	9	414 950	256 268
Cash and cash equivalents	10	34 381 299	21 887 832
TOTAL ASSETS		124 659 884	109 158 302
RESERVES AND LIABILITIES			
Total Reserves		106 028 853	90 028 976
Non-distributable reserves		(1 288 627)	(1 288 627)
Revaluation reserve		2 743 793	2 743 793
Accumulated fund		104 573 687	88 573 810
Long term Liabilities		4 752 717	4 752 717
Borrowings	11	4 752 717	4 752 717
Current liabilities		13 878 314	14 376 609
Trade and other payables	12	9 514 821	14 012 740
Deferred income	13.1	4 363 493	363 869
TOTAL RESERVES AND LIABILITIES		124 659 884	109 158 302


20 August ,2019


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

20 August ,2019


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

28 August ,2019


Dr. T.U. Wushe
(Board Chairman),

	Note	2 018 Dec, 31 US\$	2 017 Dec, 31 US\$
Revenue		34 936 390	31 921 483
Licence fees	13	33 467 175	31 148 846
Interest Income	14	950 995	641 025
Other income	15	518 220	131 612
Expenditure		(18 302 638)	(18 432 877)
Operating expenditure	16	(18 302 638)	(18 432 877)
Operating surplus for the year		16 633 752	13 488 606
Other comprehensive income		-	-
Total comprehensive income		16 633 752	13 488 606

	Non-distributable reserves US\$	Revaluation reserve US\$	Accumulated Fund US\$	Total US\$
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
Balance as at January 1, 2018	(1 288 627)	2 743 793	88 573 810	90 028 976
Expected credit Losses on IFRS 9 adoption - January 1, 2018	-	-	(633 875)	(633 875)
Operating surplus for the year	-	-	16 633 752	16 633 752
Balance as at December 31, 2018	(1 288 627)	2 743 793	104 573 687	106 028 853
				-

	Note	2 018 US\$	2 017 US\$
Cash flows from operating activities		14 886 391	3 158 475
		20 342 286	12 872 244
Operating surplus for the year		16 633 752	13,488,606
Interest earned	14	(950 995)	(641,025)
Licence fees deferred	13.1	4 659 529	24 663
Adjustments for non-cash items		1 635 525	2 434 716
Depreciation	4	1,527,283	1 674 599
Amortisation	6	129,306.46	780 657
Allowance for credit losses		650,355.97	-
Licence fee amortisation	13.1	(659 904)	(21 000)
Loss/(profit) on disposal of assets	15	(11 517)	460
Changes In Working Capital		(7 091 420)	(12 148 485)
Increase in trade and other receivables		(2 446 843)	(14 548 814)
Increase/(decrease) in trade and other payables		(4 497 919)	2 317 604
Decrease/(increase) in inventory		12 026	(43 302)
Decrease/(increase) in prepayments		(158 684)	126,027
Cash flows from investing activities		(2 392 925)	(3 992 433)
Purchase of property, plant and equipment	4	(3 359 473)	(4 604 717)
Purchase of intangible assets	6	-	(35 789)
Proceeds on sale of property, plant and equipment	15	15,553	7 048
Interest received		950,995	641 025
Net Increase /(decrease) in cash and cash equivalents		12,493,466	(833 958)
Cash and cash equivalents at the beginning of the year		21 887 832	22 721 790
Cash and cash equivalents at the end of the year	10	34 381 299	21 887 832

4. PROPERTY, PLANT AND EQUIPMENT

	Land and Buildings US\$	Work In Progress US\$	Motor Vehicles US\$	Regulatory Equipment US\$	Office Equipment US\$	Furniture and Fittings US\$	Computers US\$	Lease Improvements US\$	Cellphones US\$	Total 2018 US\$	Total 2017 US\$
Opening carrying amount	10 202 219	23 609 118	473 724	1 232 595	110 430	201 340	191 581	352	69 737	36 091 092	33 168 483
Gross carrying amount	10 587 399	23 609 118	2 390 602	16 177 932	235 245	504 135	643 860	480	122 580	54 271 347	49 719 170
Accumulated depreciation	(385 180)	-	(1 916 878)	(14 945 337)	(124 815)	(302 795)	(452 279)	(128)	(52 843)	(18 180 255)	(16 550 688)
Additions at cost	-	2 020 473	855 441	-	96 769	198 595	144 546	-	43 649	3 359 473	4 604 717
Depreciation for the year	(75 903)	-	(307 989)	(862 941)	(29 217)	(59 766)	(150 980)	(48)	(40 439)	(1 527 283)	(1 674 600)
Disposals-at carrying amount	-	-	-	-	-	-	(2,443)	-	(1,593)	(4 036)	(7 507)
Disposals -Cost	-	-	-	-	-	-	(25,287)	-	(2,623)	(27 910)	(52 540)
Accumulated depreciation	-	-	-	-	-	-	22,844	-	1,030	23 873	45 033
Closing carrying amount	10 126 316	25 629 592	1 021 176	369 654	177 982	340 169	182 704	304	71 354	37 919 248	36 091 095
Gross carrying amount	10 587 399	25 629 592	3 246 043	16 177 932	332 014	702 730	763 119	480	163 606	57 602 910	54 271 347
Accumulated depreciation	(461 083)	-	(2 224 867)	(15 808 278)	(154 032)	(362 561)	(580 415)	(176)	(92 252)	(19 683 662)	(18 180 254)

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

	2018 Dec, 31 US\$	2017 Dec, 31 US\$
5 Financial Asset		
Metbank Debentures	2 906 457	2 906 457
At Amortized Cost	2 906 457	2 906 457
6 Intangible Assets		
Opening carrying amount	192 981	937 850
Gross carrying amount	9 586 877	9 551 088
Accumulated amortisation	(9 393 896)	(8 613 239)
Additions at cost	-	35 789
Amortisation for the year	(129 306)	(780 658)
Closing carrying amount	63 674	192 981
Gross carrying amount	9 586 877	9 586 877
Accumulated amortisation	(9 523 203)	(9 393 896)
7 Inventory	66 279	78 305
Stationery	58 594	59 985
Fuel Coupons	7 685	18 320
8 Trade and Other Receivables	48 907 977	47 745 365
8.1 Net Trade receivables	23 742 887	27 075 580
Gross trade debtors	55 843 460	59 162 287
Allowance for credit losses	(32 100 572)	(32 086 707)
8.2 Other Receivables	25 165 090	20 669 785
Gross other debtors	32 019 412	26 253 742
Allowance for credit losses	(6 854 322)	(5 583 957)
9 Prepayments	414 950	256 268
Pre-paid expenditure	414 950	256 268
10 CASH AND CASH EQUIVALENTS	34,381,299	21,887,832
Short term investments held to maturity (Funds on placement)	25 040 230	20 424 793
Bank balances	9 339 347	1 458 399
Petty cash	1 721	4 640
11 Borrowings		
11.1 ADB 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

	2018 Dec, 31 US\$	2017 Dec, 31 US\$
12 TRADE AND OTHER PAYABLES	9 514 821	14 012 740
Prepaid fees	1 718 072	1 417 394
Sundry payables	4 577 010	3 826 924
Taxes - VAT & Withholding tax	3 219 739	8 768 422
13 Licence fees	33 467 175	31 148 846
Public switched telephone network	2 368 205	2 252 453
Global systems for mobile (GSM)	16 743 063	13 165 019
Spectrum	4 230 109	5 448 947
Private network	62 492	62 930
Deferred income amortised for the year	1 971 834	3 615 934
Other fees	8 091 473	6 603 564
13.1 Deferred Income		
Initial licence and Upgrade fees		
Opening balance	363 869	360 206
Additions during the year	4 659 529	24 663
Amortised during the year	(659 904)	(21 000)
Closing Balance	4 363 493	363 869
Deferred income relates to initial and upgrade licence fees for the remaining life of the licence.		
14 Interest Income	948,213	641,025
Investments interest	746 857	583 314
Other interest income	201 356	57 711
15 Other income	518,220	131 612
Sundry income	506,704	131 612
Penalties	497 988	121 773
General income	8 715	9 840

	2018	2017
	USD	USD
16 OPERATING EXPENDITURE	18 302 638	18,432,877
Administrative Expenses	12 325 511	10 850 795
Operating Costs	5 977 127	7 582 082
17 Related Party		
Name	Relationship	Owner
Universal Services Fund	Manager	Government of Zimbabwe
17.1 Related Party Balances		
Projects Funding	14 282 875	4 170 041
17.2 Short term loans to key management (interest at libor plus 5%)	48 960	59 205

18. SUBSEQUENT EVENTS

On 20 February 2019, the RBZ Governor announced a new Monetary Policy Statement(MPS) whose highlights were as follows;

- RTGS balances, coins, bond notes and other electronic currencies were collectively named as RTGS dollars and the new local currency became part of the multi-currency system
- RTGS to be used by Government and individuals for the purpose of pricing of goods and services, record debts, accounting and settlement of domestic transactions
- Establishment of inter-bank foreign exchange market (opening at US\$1:RTGS\$2.5) and then determined by the market forces going forward
- Publication of S.I.33 of 2019 on 22 February 2019. The S.I. among other things prescribed that for accounting and other purposes, certain assets and liabilities would be deemed to be RTGS at a rate of 1:1 and would become opening RTGS dollar values from the effective date

Below is an analysis of the impact of various exchange rates on the balance sheet that was prepared on the assumption of parity and inter-changeability between the USD and the de-facto currency alluded to above.

18.1 Sensitivity effects of different exchange rates on the statement of financial position

	Monetary Assets/Liabilities FCA USD A	Assets/Liabilities RTGS dollar B	Non-Monetary Assets/Liabilities USD C	Total USD @1:1 D	Total RTGS\$ @2.5 E	Total RTGS \$ @3.5 F
Assets						
Property and equipment	-	-	37 919 248	37 919 248	94 798 120	132 717 367
Financial asset	-	2,906,457	-	2 906 457	2 906 457	2 906 457
Intangible assets	-	-	63 674	63 674	159 186	222 860
Inventory	-	66 279	-	66 279	66 279	66 279
Trade and other receivables	-	48 907 977	-	48 907 977	48 907 977	48 907 977
Prepayments	-	414 950	-	414 950	414 950	414 950
Cash and cash equivalents	61 555	34 319 743	-	34 381 299	34 473 631	34 535 186
Total assets	61 555	86 615 407	37 982 922	124 659 884	181 726 600	219 771 078
Liabilities						
Borrowings	4 752 717	-	-	4 752 717	11 881 793	16 634 510
Trade and other payables	1 360 483	8 154 339	-	9 514 821	11 555 545	12 916 028
Deferred income	-	4 363 493	-	4 363 493	4 363 493	4 363 494
Total liabilities	6 113 200	12 517 832	-	18 631 031	27 800 831	33 914 031
Net assets	(6 051 645)	74 097 575	37 982 922	106 028 853	153 925 769	185 857 046

Assumptions

- The majority of domestic financial transactions were processed using the local RTGS for the greater part of the reporting period but the reporting currency officially remained the US dollar
- The official exchange rate remained at RTGS\$1/1USD, though it was difficult for most companies to access foreign currency at that rate during the reporting period.
- An exchange rate of RTGS\$3.5/1USD is believed to have been prevailing as at 31 December 2018, thus justifying its inclusion in testing the sensitivity of the statement of financial position
- Property and equipment reflect USD values and were treated as such in the analysis

19. CHANGES IN SIGNIFICANT ACCOUNTING POLICIES

19.1 Impact of the adoption of IFRS 9

19.1.1 Reconciliation of the impairment allowance on the date of initial application of IFRS 9

	Original carrying amount under IAS 39 as at 31/12/17	Re-classification	Re-measurement	New carrying amount under IFRS 9 as at 1/1/18
Trade and other receivables	47 745 364	-	(633 875)	47 111 490

19.1.2 Transitional adjustments on equity on the date of initial application of IFRS 9

	New carrying amount under IFRS 9 as at 1/1/18
Retained earnings	
Closing balance as at 31 December 2017 under IAS 39	88 573 810
Net Impact of adopting IFRS 9 on 1 January 2018	(633 875)
Total restated closing balance of impacted reserves as at 1 January 2018	87 939 936

19.1.3 Recognition of allowance for credit losses (IFRS 9)

	Net carrying amount as at 31/12/18
Trade and other receivables	
Gross carrying amount as at 31 December 2018	87 862 872
Provision for doubtful debts recognised under IAS 39	(37 670 664)
Allowance for expected credit losses adjustment under IFRS 9 as at 1/1/18	(633 875)
Allowance for expected credit losses adjustment under IFRS 9 as at 31/12/18	(650 356)
Net trade and other receivables as at 31 December 2018	48 907 977



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**Universal Service Fund Financial Statements
For The Year Ended December 31, 2018**



USF FINANCIALS

REPORT OF THE AUDITOR-GENERAL

TO

THE MINISTER OF INFORMATION COMMUNICATION TECHNOLOGY,

POSTAL AND COURIER SERVICES

AND

THE BOARD OF DIRECTORS

IN RESPECT OF THE FINANCIAL STATEMENTS OF

UNIVERSAL SERVICE FUND

FOR THE YEAR ENDED DECEMBER 31, 2018

Report on the Audit of the Financial Statements

Adverse Opinion

I have audited the financial statements of Universal Service Fund set out on pages 5 to 18, which comprise the statement of financial position as at December 31, 2018, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

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

Basis for Adverse Opinion

As explained in notes 2.4, and 18 of the financial statements the Fund did not fully comply with the provisions of International Accounting Standard 21 “The effects of Changes in Foreign Exchange rate” as Statutory Instrument 33 of 2019 precluded the Fund from applying an independent assessment of functional currency as required by the accounting standard and in terms of the guidance provided by the Public Accountants and Auditors Board (PAAB). The need to account for these effects emanated from the ‘multi-tiered’ pricing environment that was prevailing during the year under review, where

settlement of transactions was depended on the mode of payment, whether USD cash, RTGS, bond notes and mobile money. Shortage of foreign currency also resulted in foreign exchange rate disparities between RTGS and US\$. This in turn affected the pricing structures to incorporate foreign exchange rate movements on the RTGS and bond notes, hence the need to comply with IAS 21 to reflect effects of these changes in the preparation of financial statements. This ‘multi-tiered pricing environment resulted in transactions bearing similarities to what one would expect with transactions that are undertaken in different currencies to which IAS 21 would apply. Had the Fund complied with the requirements of IAS 21, many elements in the accompanying financial statements would have been materially affected. The effects on the financial statements of the failure to comply with the requirements of IAS 21 have not been determined.

As a result of these factors the directors performed an assessment on the functional currency of the Fund in accordance with IAS 21, The Effects of Changes in Foreign Exchange Rates (IAS 21), and acknowledge that the functional currency of the Fund was no longer the US\$. In February 2019, an electronic currency called the RTGS dollar was introduced through Statutory Instrument 33 of 2019 with an effective date of February 22, 2019 and the currency commenced trading at a rate of 2.5 to the US\$. In addition S.I 33 fixed the exchange rate between the RTGS dollar and the US\$ at a rate of 1:1 for periods before the effective date.

I conducted my audit in accordance with International Standards on Auditing (ISA) and International Standards of Supreme Audit Institutions (ISSAI). My responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report. I am independent of Universal Service 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 of Universal Service Fund for the year ended December 31, 2018. These matters were addressed in the context of my audit of the Universal Service Fund financial statements as a whole and, in forming my opinion thereon, and I do not provide a separate opinion on these matters. In addition to the matter described in the basis for adverse opinion section, I have determined the matters described below to be the key audit matters to be communicated in my report.

Key audit matter	How the matter was addressed in the audit
<p>Valuation of trade receivables. Refer to notes 7, of the financial statements.</p> <p>Due to adoption of IFRS 9 on January 01, 2018, the entity calculated the expected credit losses using the simplified approach as this is specifically designated for trade receivables or contract assets that arise from transactions that are within the scope of IFRS 15 (para 5.1.15).</p> <p>Trade receivables are carried at anticipated realizable value. An estimate is made of doubtful debts based on review of all outstanding amounts at the year-end.</p> <p>On the date of initial adoption (January 01, 2018) of IFRS 9, management estimated expected credit losses amounting to \$ 9 753 987 and the recoverable amount of trade receivables was estimated to be \$ 12 256 979 as at December 31, 2018.</p> <p>The valuation of trade receivables is dependent on certain key assumptions that require significant management judgement. As a result, the valuation of receivables was significant to my audit.</p>	<p>My audit procedures to address the risk of material misstatement relating to the valuation of trade receivables included:</p> <ul style="list-style-type: none"> Assessed of the recoverability of material long outstanding receivables by making comparison of the rate of collection in the current year and prior year. Evaluated management's impairment model including a description of the reasonable and supportable information used in its model to determine whether there has been a significant increase in credit risk since initial recognition of its financial assets and to support all inputs and assumptions relating to the model. I evaluated the assessment of the allowance for credit losses made by management to test adequacy. 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, current and future assumptions. Assessing whether the appropriate and adequate impairment disclosures have been made in the financial statements as per IFRS 9. <p>I found the key assumptions used in the valuation of trade receivables to be appropriate and I did not identify material issues with adequacy of allowance for credit losses.</p>

Other information

The directors are responsible for the other information. The other information comprises all the information in the Universal Service Fund's 2018 annual report other than the financial statements and my auditor's report thereon ("the Other Information").

In connection with my audit of the Universal Service 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.

Responsibility of Management and Those Charged with Governance 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 (IFRS) and in a manner required by the Universal Service Fund Act 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 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 for the Audit of the Financial statements

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material 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. I apply 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 Universal Service Fund, the Public Finance Management Act [Chapter 22:19] and other relevant Statutory Instruments.

September 19_____, 2019.

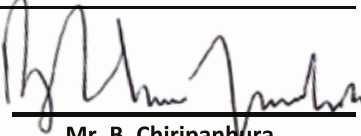


M. CHIRI (MRS),
AUDITOR-GENERAL

USF FINANCIALS

	Note	2018 USD	2017 USD
Assets			
Non-Current Assets		3 247 815	3 249 654
Property, plant and equipment	4	58 135	59 974
Financial asset	5	3 189 680	3 189 680
Current Assets		46 730 809	28 875 539
Inventory	6	820 511	-
Trade and other receivables	7	12 256 979	8 794 453
Prepayments	8	31 147 261	19 062 499
Cash and cash equivalents	9	2 506 058	1 018 587
Total Assets		49 978 624	32 125 193
Reserves and Liabilities			
Total Reserves		33 839 964	26 487 617
Accumulated fund		33 839 964	26 487 617
Current Liabilities		16 138 660	5 637 576
Trade and other payables	10	16 138 660	5 637 576
Total Reserves and liabilities		49 978 624	32 125 193

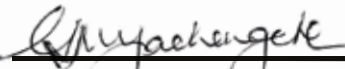
20 August ,2019



Mr. B. Chiripanhura

(Director Finance MSc, RPAcc(Z)
ACIS,BAcc),

20 August ,2019



Dr. G. K. Machengete

(Director General),

10 September ,2019



Dr. T. U. Wushe

(Board Chairman),

USF FINANCIALS

		2018 USD	2017 USD
Revenue		20 233 758	15 545 456
Licence fees	11	17 408 735	13 730 356
Interest income	12	48 456	211 390
Other income	13	1 084 209	434
Innovation drive income	14	1 692 358	1 603 276
Operating costs		12 832 163	7 917 981
Projects	15	11 974 707	7 292 166
Administrative expenses	16	857 456	625 815
Operating profit/(loss)		7 401 595	7 627 475
Other comprehensive income			-
Total comprehensive income/(loss)		7 401 595	7 627 475

USF FINANCIALS

	Accumulated Fund USD	Total USD
Balance as at January 1, 2017	18 860 142	18 860 142
Surplus/(deficit) for the year	7 627 475	7 627 475
Balance as at December 31, 2017	26 487 617	26 487 617
Balance as at January 1, 2018	26 487 617	26 487 617
Expected Credit Losses adjustment January 1,2018	(49 248)	(49 248)
Surplus/(deficit) for the year	7 401 595	7 401 595
Balance as at December 31, 2018	33 839 964	33 839 964

USF FINANCIALS

	Note	2018 USD	2017 USD
Cash flows from operating activities		1 461 094	(11 781 114)
Surplus for the year/(loss)		7 401 595	7 627 475
Interest earned		(48 456)	(243 694)
Profit on disposal		-	715
Adjustment for non cash item		(61 699)	16 905
Depreciation		23 918	16 905
Allowance for credit losses		(85 617)	-
Changes in Working Capital		(5 830 345)	(19 182 514)
(Increase) decrease in inventory		(820 511)	-
Increase in trade and other receivables		(15 510 919)	(22 289 664)
Increase in trade and other payables		10 501 085	3 107 150
Cash flows from investing activities		26 376	183 222
Acquisition of property, plant and equipment	4	(22 080)	(28 168)
Interest received	12	48 456	211 390
Net increase/ (decrease) in cash and cash equivalents		1,487,471	(11 597 892)
Cash and cash equivalents at the beginning of the year		1,018,587	12 616 479
Cash and cash equivalents at the end of the year	9	2 506 058	1 018 587

4. PROPERTY, PLANT AND EQUIPMENT

	MOTOR VEHICLES USD	FURNITURE AND FITTINGS USD	COMPUTER EQUIPMENT USD	OFFICE EQUIPMENT USD	OTHER EQUIPMENT USD	TOTALS 2018 USD	TOTALS 2017 USD
Opening carrying amount	-	8 357	15 856	26 500	9 261	59 974	49 425
Gross carrying amount	213 143	26 628	37 951	49 294	11 451	338 467	314 114
Accumulated depreciation	(213 143)	(18 271)	(22 095)	(22 794)	(2 190)	(278 493)	(264 689)
Additions at cost	-	10,327	3 956	-	7 797	22,080	28 168
Depreciation for the year	-	(3 483)	(9 513)	(4 929)	(5,993)	(23 918)	(16 905)
Disposals-at carrying amount	-	-	-	-	-	-	715
Disposals	34,932	-	-	-	-	34,932	3 815
Disposals accumulated depreciation	(34,932)	-	-	-	-	(34,932)	(3 100)
Closing Carrying Amount	-	15 200	10 299	21 570	11 066	58,135	59 974
Gross carrying amount	178 211	36 954	41 907	49 294	19248	325 614	338 468
Accumulated depreciation	(178 211)	(21 754)	(31 608)	(27 724)	(8,182)	(267 479)	(278 493)

USF FINANCIALS

	2018 USD	2017 USD
5 Financial asset -Metbank debentures	3 189 680	3 189 680
Financial asset at cost (reclassification from receivables)	3 189 680	3 157 376
Interest due for the year	-	32 304
* Metbank owed the Fund after failing to pay matured investments and bank balances, the debt was subsequently converted to debentures in 2017.		
6 Inventory	820 511	-
	820 511	-
7 Trade and other receivables	12 256 979	8 794 453
7.1 Net Trade Receivables	10 079 125	6 057 592
Gross trade debtors	19 833 112	15 847 948
Allowance for credit losses	(9 753 987)	(9 790 356)
7.2 Other Receivables	2 177 854	2 736 861
8 Prepayments*	31 147 261	19 062 499
	31 147 261	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.		
9 Cash and cash equivalents	2 506 058	1 018 587
Short term investments	1 841 546	402 838
Bank balances	664 512	615 749
10 Trade and other payables	16 138 660	5 637 576
Sundry payables	1 579 133	1 425 794
POTRAZ	14 282 874	4 170 041
Taxes-VAT & Withholding tax	276 653	-
11 Licence fees	17 408 735	13 730 356
Public Switched Telephone Network (PSTN)	1 776 154	1 548 111
Global System for Mobile (GSM)	12 534 245	9 883 081
Other fees	3 098 337	2 299 164
12 Interest income	48 456	211 390
Investment & bank interest	32,890	206,981
Staff debtors interest	15,566	4,410
13 Other income	1 084 209	434
Profit/(loss) on asset disposal	1,473	-
Allowance for credit losses	85,617	-
Donation	983,383	-
Tender fees	13,736	434
	1 692 358	1 603 276
14 Innovation drive fund	1 692 358	1 603 276
15 Disbursements / projects	11 974 707	7 292 166
Community information centres	4 584 853	3 482 609
E-Learning project	2 596 990	406 096
Telemedicine project	96 476	1 085
Harare emergency centre	-	(20)
Innovation drive	300 848	35 671
Transfer to Exchequer	199,636	-
Phase 2 passive infrastructure	1 605 596	206 019
Information Communication Technology (ICT) for the disabled	-	73 503
Rural schools assistance	690 307	1 649 787
Zimbabwe Anti-Corruption Commission	-	77,962
State Procurement Board Administration fees	-	1,402
NIDC	1 900 000	1,200,000
Post code	-	158,053

Disbursements relate to the amounts expended on the construction of telecommunications
This relates to funds requested by the Ministry of Finance for national assistance.

USF FINANCIALS

	2018 USD	2017 USD
16 OPERATING EXPENDITURE	857 456	625 815
Administrative expenses	780 707	571 762
Other Operating expenses	76 749	58 732
17 Related party		
Name	Relationship	Owner
Postal and Telecommunications Regulatory	Government of	Government of
17.1 Related Party Balances		
Advances from POTRAZ	14 282 874	4 170 041

18. EVENTS AFTER THE REPORTING DATE

On 20 February 2019, the RBZ Governor announced a new Monetary Police Statement(MPS) whose highlights were as follows;

- RTGS balances, coins, bond notes and other electronic currencies were collectively named as RTGS dollars and the new local currency became part of the multi-currency system
- RTGS to be used by Government and individuals for the purpose of pricing of goods and services, record debts, accounting and settlement of domestic transactions
- Establishment of inter-bank foreign exchange market (opening at US\$1:RTGS\$2.5) and then determined by the market forces going forward
- Publication of S.I.33 of 2019 on 22 February 2019. The S.I. among other things prescribed that for accounting and other purposes, certain assets and liabilities would be deemed to be RTGS at a rate of 1:1 and would become opening RTGS values from the effective date
- The announcement of the RTGS dollar as a currency, in the opinion of the Management, was a formal and legal confirmation of what has already been obtaining in the market prior to the end of the reporting period where RTGS balances and transactions were regarded as representing some form of a currency. However post balance sheet events have not been adjusted for due to restrictions imposed by SI33

Below is an analysis of the impact of various exchange rates on the balance sheet that was prepared on the assumption of parity and inter-changeability between the USD and the de-facto currency alluded to above.

18.1 Sensitivity effects of different exchange rates on the statement of financial position

	2018 Monetary Assets/Liabilities FCA USD	2018 Assets/Liabilities RTGS dollar	2018 Non-Monetary Assets/Liabilities USD	2018 Total USD @1:1	2018 Total RTGS\$ @2.5	2018 Total RTGS \$ @3.5
	A	B	C	D	E	F
Assets	-	-	58 135	58 135	145 337	203 471
Property and equipment	-	3,189,680	-	3 189 680	3 189 680	3 189 680
Financial asset	-	-	-	-	-	-
Intangible assets	-	820 511	-	820 511	820 511	820 511
Inventory	-	12 256 979	-	12 256 979	12 256 979	12 256 979
Trade and other receivables	-	31 147 261	-	31 147 261	31 147 261	31 147 261
Prepayments	-	2 506 058	-	2 506 058	2 506 058	2 506 058
Cash and cash equivalents	-	-	-	-	-	-
Total assets	-	49 920 489	58 135	49 978 624	50 065 826	50 123 961
Liabilities	-	-	-	-	-	-
Borrowings	1,073,503	15 065 157	-	16 138 660	17 748 914	18 822 417
Trade and other payables	-	-	-	-	-	-
Deferred income	-	-	-	-	-	-
	1 073 503	15 065 157	-	16 138 660	17 748 914	18 822 417
Total liabilities	(1 073 503)	34 855 332	58 135	33 839 964	32 316 912	31 301 543

Assumptions

- The majority of domestic financial transactions were processed using the local RTGS for the greater part of the reporting period but the reporting currency officially remained the US dollar
- The official exchange rate remained at RTGS\$1/1USD, though it was difficult for most companies to access foreign currency at that rate during the reporting period. Therefore, there is a legitimate basis to consider the effects of the rate announced in on 20 February 2019 on the statement of financial position should there not have been restrictions put by SI33
- During the last quarter of the reporting period, most prices were pegged in USD and converted to local currency at the unofficial exchange rate of RTGS\$3.5/1USD and is believed to have been prevailing as at 31 December 2018, thus justifying its inclusion in testing the sensitivity of the statement of financial position
- Significant amounts in property and equipment reflect USD values and were treated as such in the analysis

19. IMPACT OF IFRS 9 ADOPTION

19.1 Reconciliation of the impairment allowance on the date of initial application of IFRS 9

	Original carrying amount under IAS 39 as at 31/12/17	Re-classification	Re-measurement	New carrying amount under IFRS 9 as at 1/1/18
Trade and c	8 794 454	-	(36 369)	8 758 084

19.2 Tanstional adjustments on equity on the date of initial application of IFRS 9

	New carrying amount under IFRS 9 as at 1/1/18
Retained earnings	
Closing balance as at 31 December 2017 under IAS 39	26 487 617
Net Impact of adopting IFRS 9 on 1 January 2018	(49 248)
Total restated closing balance of impacted reserves	26 438 369

19.3 Recognition of allowance for credit losses (IFRS 9)

	Net carrying amount as at 31/12/18
Trade and other receivables	
Gross carrying amount as at 1 January 2018	22 010 966
Allowance for expected credit losses on trade and other receivables	(9 753 987)
Net trade and other receivables as at 31 December 2018	12 256 979

ICT Innovation Drive Launch.





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