

INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF CASSAVA SMARTECH ZIMBABWE LIMITED

REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

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Adverse Opinion

We have audited the consolidated financial statements of Cassava Smartech Zimbabwe Limited and its subsidiaries ("the Group") set out on pages 10 to 102 which comprise the consolidated statement of financial position as at 28 February 2019, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the four month period then ended, and the notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, because of the significance of the matters discussed in the *Basis for Adverse Opinion* section of our report, the financial statements do not present fairly, the consolidated statement of financial position of Cassava Smartech Zimbabwe Limited as at 28 February 2019, and its consolidated financial performance and its consolidated cash flows for the four month period then ended in accordance with International Financial Reporting Standards and in the manner required by the Companies Act (Chapter 24:03), and the relevant Statutory Instruments ("SI") SI33/99 and SI 62/96.

Basis for Adverse Opinion

1. Non-compliance with the requirements of IAS 21 - The Effects of Changes in Foreign Exchange Rates

The Group transacted using a combination of the United States Dollars (USD), bond notes and coins, Real Time Gross Settlement (RTGS) system and mobile money platforms. During the year there was a significant divergence in market perception of the relative values between the bond note, bond coin, mobile money platforms, RTGS FCA in comparison to the USD. Although RTGS was not legally recognised up until 22 February 2019, the substance of the transacting framework, from an accounting perspective, suggested that it was currency for financial accounting and reporting purposes. The Reserve Bank of Zimbabwe (RBZ) issued a monetary policy statement (MPS) in October 2018 instructing all banks to separate and create distinct bank accounts for depositors, namely, RTGS Foreign Currency Accounts (FCA) and Nostro FCA accounts. This resulted in a separation of transactions on the local RTGS payment platform from those relating to foreign currency (e.g. United States Dollar, British Pound, and South African Rand). Due to this separation, there was an increased proliferation of multi-tier pricing practices by suppliers of goods and services, indicating a significant difference in purchasing power between the RTGS FCA and Nostro FCA balances, against a legislative framework mandating parity. These events were indicative of economic fundamentals that would require a reassessment of the functional currency as required by International Accounting Standard (IAS) 21 - "The Effects of Changes in Foreign Exchange Rates." Such assessment pointed to a change in functional currency. The Group predominantly traded in RTGS dollars from 1 November 2018, the date the companies making up the Group were demerged from Econet Wireless Zimbabwe Limited. The Group would have been deemed to be operating in a functional currency different from that prescribed by SI33/19 as prescribed by International Financial Reporting Standards.

On 20 February 2019, a currency called the RTGS Dollar was legislated through Statutory Instrument 33 of 2019 ("SI 33/19") with an effective date of 22 February 2019. Statutory Instrument 33 ("SI 33/19") fixed the exchange rate between the RTGS Dollar and the USD at a rate of 1:1 for the period up to its effective date. The rate of 1:1 is consistent with the rate mandated by the RBZ at the time it issued the bond notes as currency.

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Basis for Adverse Opinion (continued)

1. Non-compliance with the requirements of IAS 21 - The Effects of Changes in Foreign Exchange Rates (continued)

The Directors used 28 February 2019 as the date of change in functional currency .Because the Group transacted using a combination of the United States Dollars (USD), bond notes and coins, Real Time Gross Settlement (RTGS) system and mobile money platforms during the period from 1 November 2018 to 28 February 2019, the decision to change the functional currency on 28 February 2019 in line with SI 33/19 results in material misstatement to the financial performance and cash flows of the Group as transactions denominated in USD were not appropriately translated. Had the Group applied the requirements of IAS 21, many of the elements of the consolidated statement of profit or loss and other comprehensive income and consolidated statement of cash flows would have been materially impacted and therefore the departure from the requirements of IAS 21 is considered to be pervasive.

2. Valuation of Property and Equipment

Cassava Smartech Zimbabwe Limited was demerged from Econet Wireless Zimbabwe Limited. The former Econet Wireless Zimbabwe Limited Group which included Cassava Smartech Zimbabwe Limited group of companies changed its policy on Property, Plant and Equipment from a cost model to a revaluation model. This change in policy was effective 1 September 2018. As disclosed in note 11 of the financial statements, the Property and Equipment values have been based on what the Econet Directors believed was the best estimate of the value of the assets in use as at 1 September 2018 without the use of independent experts. The valuation was done by the Econet Directors taking into account the value of RTGS that would have been paid out as at 1 September 2018 using their understanding of the market and purchasing parity that existed at that point between the different modes of payment. The values determined by the Econet Directors have been adopted by the Cassava Directors in the Group's opening balances without amendment. We were unable to assess whether the approaches they used are consistent with IFRS and industry norms for similar assets in a similar environment. Consequently we were unable to determine the reasonability of assumptions applied in determining the valuation of Property and Equipment given the specific nature of the Group's assets in the prevailing environment.

Emphasis of matter- Subsequent events

Without further qualifying our opinion, we draw attention to note 36 of the financial statements which indicates significant movements in exchange rates that occurred post year-end and the consequent impact on the Group's operations.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matters described in the *Basis for Adverse Opinion* section of our report and the *Emphasis of matter – Subsequent events* section, we have determined the matters described below to be the key audit matters.

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Key Audit Matters (continued)

Key audit matter	How the matter was addressed in the audit
Valuation of expected credit losses on trade and other receivables	
<p>The Group adopted the new and complex accounting standard IFRS 9: Financial Instruments. This standard introduced impairment based on expected credit losses, rather than the incurred loss model previously applied under IAS 39 Financial Instruments: Recognition and Measurement. The closing impairment allowances reflected in the statement of financial position as at 28 February 2019 and determined in accordance with IFRS 9 are detailed per Note 19.</p> <p>This was considered a key audit matter as the determination of the expected credit losses (ECL) requires significant judgment.</p> <p>The key areas where we identified greater levels of Directors' judgement and therefore increased levels of audit focus in the Group's implementation of IFRS 9 included:</p> <ul style="list-style-type: none"> • The interpretation of the requirements to determine impairment under application of IFRS 9, which is reflected in the Group's expected credit loss model; • Assumptions used in the expected credit loss such as the financial condition of the counterparty, expected future cash flows and forward looking macroeconomic factors (e.g. exchange rates, gross domestic rates, interest rates, gross domestic product growth, inflation); and • The identification of exposures with a significant deterioration in credit quality. <p>Note Z to the financial statements includes details on the accounting policies applied around the expected credit losses. Note 19 further provides detailed information around the determination of the expected credit losses.</p>	<p>In addressing this matter, we performed the following procedures:</p> <p>With assistance of the external auditors' modelling expert we:</p> <ul style="list-style-type: none"> • We tested the design and implementation of controls around the determination of the expected credit losses; • We performed an assessment of the modelling techniques and methodology used against the requirements of IFRS 9; • We obtained an understanding of the work performed by the Group's credit expert in determination of the expected credit losses; • We performed procedures to ensure the competence, objectivity and independence of the Group's expert; • We tested assumptions used in the ECL calculations and assessed for reasonability; • We tested the completeness of trade and other receivables included in the ECL calculations; • We assessed consistency of inputs and assumptions used by the Group's management to determine impairment provisions; • We tested the accuracy and completeness of data inputs used in determination of the ECL; • Where applicable, we reviewed the appropriateness of the Group's determination of significant increase in credit risk and the resultant basis for classification of exposures into various stages; • For a sample of exposures, we tested the appropriateness and of the Group's staging, where applicable; • We reviewed the appropriateness of the opening balance adjustments. <p>We found the expected credit losses on financial assets to be appropriately valued.</p>

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Key Audit Matters (continued)

Key audit matter	How the matter was addressed in the audit
Revenue recognition	
<p>The entity's revenue streams are characterised by high volumes of transactional data. The revenue computation process is highly automated, complex in nature and dynamic thus requiring numerous information technology related checks and balances.</p> <p>Due to the varying terms and conditions, the revenue recognition is complex as a result of the following:</p> <ul style="list-style-type: none"> > The recognition criteria for revenue; > Accounting treatment for agency relationships, treatment of discounts, incentives and commissions; and > The potential impact of seemingly small errors is significant due to the possibility of automated replication through the large volumes of transactions. <p>In the current period, the entity has adopted the new standard for Revenue from Contracts with Customers (IFRS 15). There is a risk that the entity had not appropriately implemented the Standard, including determination of the impact on the financial statements.</p> <p>Note L to the financial statements includes details on the accounting policies applied around revenue. Note 2 further provides detailed information around the different classes of revenue.</p> <p>As a result of the timing of revenue recognition and the volume of transactional data involved, this was considered to be a key audit matter.</p>	<p>In addressing this matter, we performed the following procedures:</p> <ul style="list-style-type: none"> • We performed walkthroughs of the revenue processes and evaluated the design and implementation of controls in this area; • We reviewed agency contracts and the related treatments; • We tested the process of updating and application of new tariff plans and the controls in the billing process; • We analysed and verified transactional data on a monthly basis; • We engaged Internal Data Analytics specialists to independently re-compute the revenue using data analytical methods; • We performed sensitivity analysis in relation to the key assumptions in order to assess the potential for management bias; • We made use of internal IT specialists to test key controls over the loan administration systems and the manner in which data is extracted from these systems into the models used to determine revenue recognition; • We performed detailed substantive testing of journal entries processed around revenue to ensure these were appropriately authorised, complete and accurate; • We confirmed that the related interest enhancing mechanisms, such as loan arrangement fees and establishment fees, were appropriately recognised over the tenure of the facility from which they arose using the effective interest; • We reviewed management's assessment of the impact of the new standards to the various entity companies and assessed for compliance; • We inspected a sample of underlying data for completeness and accuracy; and • For a sample of contracts, we reviewed the contract terms and assessed against the 5 step approach of IFRS 15.

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Other Information

The Directors are responsible for the other information. The other information comprises the Chairman's statement, Corporate Governance, and Director's Responsibility for Financial Reporting, which we obtained prior to the date of this auditor's report and the Annual Report which is expected to be made available to us after the date. The other information does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. As described in the Basis for Adverse Opinion section above, the Group changed their functional currency to the RTGS\$ effective 28 February 2019. The date of change in functional currency that complies with IFRS is 1 October 2018 but is inconsistent with SI 33/19. The Directors have chosen to comply with the legislation. Consequently the measurement of the USD transactions between 1 November 2018 and 28 February 2019 does not comply with the requirements of IAS 21, as these transactions have not been appropriately translated in accordance with the Standard. We have determined that the other information is misstated for that reason.

When we read the other information obtained after the date of the auditor's report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

Responsibilities of the Directors for the Financial Statements

The Directors are responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards (IFRSs), the Companies Act (Chapter 24:03), the relevant statutory instruments (SI 33/99, SI 33/19 and SI 62/96), and for such internal control as the Directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Directors are responsible for assessing the Group'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 the Directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

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Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the consolidated 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 our 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 Group'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 Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Directors, we 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. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Tumai Mafunga.

Deloitte & Touche

Deloitte & Touche
Chartered Accountants (Zimbabwe)
Per. Tumai Mafunga
Partner
PAAB Practice Certificate Number: 0442

Date: 30 June 2019