

Cassava

Smartech

CASSAVA SMARTECH ZIMBABWE LIMITED

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UNAUDITED ABRIDGED CONSOLIDATED FINANCIAL STATEMENTS for the half year ended 31 August 2019



Life is digital

UNAUDITED ABRIDGED CONSOLIDATED FINANCIAL STATEMENTS

for the half year ended 31 August 2019

CHAIRPERSON'S STATEMENT

Financial highlights

	Unaudited 31 Aug 2019
Revenue	ZW\$ 946 million
EBITDA	ZW\$ 28 million
Mobile Money Subscribers	10.6 million
EcoSure Insured Lives	2.8 million
Moovah Active Policies (Short Term Insurance Business)	47 922
Steward Bank Customers	1.9 million

Introduction

Cassava Smartech Zimbabwe Limited ("The Group") continues to proliferate its development of innovative digital solutions which improve the lives of all Zimbabweans. Our model is built on solving the day-to-day challenges faced by the population, particularly those previously excluded from accessing financial services. Our understanding of the local market, the dedication and skill of our staff and the pervasive ecosystem that we have built afford us the advantage to continue creating value for our shareholders.

Economic environment

The first six months of the current financial year have been challenging for the Group and the Zimbabwean economy as a whole. The operating environment is characterized by a rapidly weakening Zimbabwe dollar, the re-emergence of hyperinflation and foreign currency shortages which have made it almost impossible to settle our critical foreign obligations. This together with incessant power cuts and fuel shortages, have negatively impacted the Group's performance.

Financial Performance Review

Comparative information

Comparative financial results have not been presented as the Group came into existence on 1 November 2018.

Key Accounting Policy Developments

The Public Accountants and Auditors Board (PAAB) in their circular 01/19 communicated that the factors and characteristics to apply the International Accounting Standard 29 on Financial Reporting in Hyperinflationary Economies had been met. The Group has begun to apply the requirements of IAS 29 ("Financial Reporting in Hyperinflationary Economies") with effect from 1 March 2019, which are reflected in the interim unaudited results for the six months ended 31 August 2019.

Performance

The Group recognised a profit of \$3.2 million in the financial statements for the six months ended 31 August 2019 on a hyperinflation adjusted basis.

The continued depreciation of the Zimbabwe Dollar against the United States dollar had a significant impact on our financial performance as we had to recognise foreign exchange losses amounting to \$506 million. This translation loss was exacerbated by the decision in the financial year ended 28 February 2019 to account for all debentures as though they were all US Dollar denominated instruments. The Group has net foreign liabilities amounting to US\$45 million, of which US\$30 million comprise the Group's 50% portion of the debentures issued when the Group was still part of Econet Wireless Zimbabwe Limited.

Investment in Research and Development

The success of our business is predicated upon the stability, efficiency and effectiveness of our technology platforms. The Group is cognisant that our customers entrust their confidence to us based on our continued ability to deliver a consistently high quality of service.

The Group has experienced a rapid increase in the volume and value of transactions being processed on mobile and digital banking platforms as more customers continued to favour these channels due to their convenience and availability.

In the period under review, the following products and services were launched:

- Clean City Zimbabwe – an innovative and sustainable on-demand waste management solution riding on the VAYA Africa App;
- Ecocash Bureau De Change – Zimbabwe's first mobile bureau de change that provides a platform for one to sell foreign currency and verify bid exchange rates from the comfort of one's phone;
- Maisha Medik – a platform which connects patients to medical service providers across the health spectrum;
- VAYA Tractor Services – An on-demand tractor services platform linking farmers to agricultural mechanisation equipment for smart farming solutions.

- Vaya Logistics and Vaya Shuttle Services – Enhancements to the VAYA Africa App which bring together cargo and truck owners on a crowd sourced logistics platform. The VAYA Shuttle Service is mini-bus ride-hailing service for 5 or more passengers with a personalised "door-to-door service" which reduces and eases the burden of having to walk extra distances after being dropped off.

The Group also launched upgrades of its mobile and digital banking platforms, aimed at increasing capacity, improving customer experience, providing world class value added services and enhancing controls. This project has begun with upgrading the Ecocash platform which has since been completed and is expected to stabilise before the close of the 2019 calendar year. Thereafter we will turn our attention to enhancing our digital banking platform at Steward Bank.

Social Investment

As a corporate citizen, we believe in the principle of actively participating in society and giving back to the community, who are perhaps our most important stakeholders. As a commitment to this, the Group has adopted the UN Global Compact 10 Principles on human rights, labour, environment and anti-corruption to advance the broader Sustainable Development Goals.

In the period under review, the Group participated in the following social transformation activities:

- Cyclone Idai – the Group continues to be part of the efforts to rebuild and reboot Cyclone Idai stricken areas;
- Collaboration with Higher Life Foundation on education, health and mentorship;
- Sponsorship of the Zimbabwe Women's Netball Team who proudly flew Zimbabwe's flag high at the 2019 Liverpool World Cup;
- Staff Wellness Seminars – Group staff continue to benefit from the series of wellness workshops and seminars organized by the Group Wellness team;
- Clean City – the entity commenced operations with the clearance of over 500 dumpsites and setting up of drop-off zones and Material Recovery Centres to avert the outbreak of preventable diseases such as cholera; and
- Partnering with Theirworld in sponsoring software coding training for the girl child in High Schools in high density suburbs in Harare and Victoria Falls.

Outlook

We are operating in a volatile, uncertain and complex environment which calls for new ways of managing risk whilst preserving shareholder value. We have witnessed sustained extreme upheavals in our operations and in the general economy and have taken a cautious and prudent approach.

We will continue seeking opportunities that grow shareholder value and allow us to build a sustainable, competitive advantage in the market based on the key strategic pillars which are staff engagement and development, customer experience, innovation, transparent and fair corporate governance practices, world class financial performance, sustained corporate social investment and enhanced risk management.

Corporate Governance

We held our inaugural Annual General meeting on the 30th of October 2019. The Board of Directors would like to express its sincere gratitude for the support shown by shareholders.

During the meeting, Mrs Tracy Mpofu, Dr. Strive Masiyiwa and Dr. Douglas Mboweni retired from the Board of Directors as Non-Executive Directors. The Board would like to thank them for their tireless contributions to the inaugural Board which has laid the foundation for directing the Group going forward.

The Board is particularly grateful and hugely indebted to the vision and guidance of the Econet Group Founder and Executive Chairman, Dr. Strive Masiyiwa whose unwavering dedication to the growth of Cassava is a source of inspiration for us all.

I would like to welcome Messrs Dominic Musengi and Christopher Maswi who were appointed to the Board on the 30th of October 2019, and of whom the Board is confident of their value-adding capabilities. I wish them success in their tenure on this Board.

Appreciation

The Board would like to extend its appreciation to our customers who, through their continued support, remain our biggest motivation for continued innovation and excellence. I also recognise the significant role played by our partners and suppliers throughout the period. The commitment of the management and staff of Cassava Smartech Zimbabwe Limited, despite the difficult operating environment, remain our biggest pillar of strength and is greatly appreciated. The Board is confident that the team will be able to deliver another strong performance in the remaining half of the current financial year.

Dividend declaration

The Board resolved not to declare a dividend for the six months ended 31 August 2019.

On behalf of the Board

Sherree Shereni
Board Chairperson

19 December 2019



UNAUDITED ABRIDGED CONSOLIDATED FINANCIAL STATEMENTS

for the half year ended 31 August 2019

For the six months ended 31 August 2019

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 August 2019

	RESTATED		HISTORICAL	
	Unaudited 31 August 2019 ZWL'000	Unaudited 28 February 2019 ZWL'000	Unaudited 31 August 2019 ZWL'000	Audited 28 February 2019 ZWL'000
ASSETS				
Current and Non-current assets				
Goodwill	19 390	15 024	7 861	6 091
Intangible assets	140 613	95 393	146 953	38 683
Property and equipment	520 657	243 969	499 891	95 252
Right of use asset	9 637	-	8 144	-
Deferred tax asset	124 596	12 512	50 269	4 109
Investment property	74 624	47 099	74 624	19 094
Other assets	77 785	105 634	32 633	11 675
Trade and other receivables	274 685	266 289	263 783	136 348
Investments in financial assets	641 524	1 256 740	641 516	509 470
Loans and advances	80 075	137 708	78 820	50 074
Cash and cash equivalents	1 350 023	1 602 973	1 350 023	649 792
Total assets	3 313 609	3 783 341	3 154 507	1 520 588
EQUITY AND LIABILITIES				
Capital and reserves				
Share capital and share premium	6 390	6 390	2 591	2 591
Retained earnings	18 701	12 152	(98 683)	7 687
Other reserves	558 926	451 124	501 393	183 486
Equity attributable to owners of				
Cassava Smartech Zimbabwe Limited	584 017	469 666	405 301	193 764
Non-controlling interest	1 810	4 712	7 526	1 910
Total equity	585 827	474 378	412 827	195 674
Current and Non-current liabilities				
Borrowings	318 719	158 808	318 719	65 478
Lease liabilities	7 805	-	8 867	-
Deferred tax liability	56 619	18 174	73 956	-
Trade and other payables	790 429	818 163	785 929	321 787
Mobile Money Trust liabilities	1 059 976	1 089 194	1 059 976	441 700
Deposits due to banks and customers	494 233	1 224 624	494 233	495 949
Total liabilities	2 727 781	3 308 963	2 741 680	1 324 914
Total equity and liabilities	3 313 608	3 783 341	3 154 507	1 520 588

For the six months ended 31 August 2019

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY


For the six months ended 31 August 2019

	RESTATED					
	Attributed to the equity holders of Cassava Smartech Zimbabwe Limited					
	UNAUDITED					
	Share capital and share premium ZWL'000	Retained earnings ZWL'000	Other reserves ZWL'000	Total ZWL'000	Non- controlling interest ZWL'000	Total ZWL'000
Balance at 1 March 2019	6 390	12 152	451 124	469 666	4 712	474 378
Profit for the period	-	6 549	-	6 549	(3 345)	3 204
Other comprehensive income	-	-	109 813	109 813	443	110 256
Revaluation of property and equipment	-	-	147 896	147 896	597	148 493
Taxation effect of other comprehen- sive income	-	-	(38 083)	(38 083)	(154)	(38 237)
Total comprehensive income	-	6 549	109 813	116 362	(2 902)	113 460
Share buy back	-	-	(2 011)	(2 011)	-	(2 011)
Transfer from other reserves	-	-	-	-	-	-
Balance at 31 August 2019	6 390	18 701	558 926	584 017	1 810	585 827


“Other Reserves” comprise of a change in ownership reserve which arose at de-merger point and revaluation reserve arising from the revaluation of property.

	HISTORICAL					
	Attributed to the equity holders of Cassava Smartech Zimbabwe Limited					
	UNAUDITED					
	Share capital and share premium ZWL'000	Retained earnings ZWL'000	Other reserves ZWL'000	Total ZWL'000	Non- controlling interest ZWL'000	Total ZWL'000
Balance at 1 March 2019	2 591	7 687	183 486	193 764	1 910	195 674
Profit for the period	-	(106 370)	-	(106 370)	3 199	(103 171)
Other comprehensive income	-	-	319 918	319 918	2 417	322 335
Revaluation of property and equipment	-	-	430 866	430 866	3 256	434 122
Taxation effect of other comprehensive income	-	-	(110 948)	(110 948)	(839)	(111 787)
Total comprehensive income	-	(106 370)	319 918	213 548	5 616	219 164
	-	-	(2 011)	(2 011)	-	(2 011)
Share buy back	-	-	(2 011)	(2 011)	-	(2 011)
Transfer from other reserves	-	-	-	-	-	-
Balance at 31 August 2019	2 591	(98 683)	501 393	405 301	7 526	412 827


“Other Reserves” comprise of a change in ownership reserve which arose at de-merger point and revaluation reserve arising from the revaluation of property.




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Cassava
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DIRECTORS: Mrs S. G. Shereni, Mr M. L. Bennett, Dr Z. Dillon, Ms. E. T. Masiyiwa, Mr C. Maswi, Mr D. Musengi, Mr H. Pemhiwa, Mr D. T Mandivenga, Mr E. Chibi*, Mrs E. Chisango*. * *Executive*.

REGISTERED OFFICE: 1906 Borrowdale Road, Borrowdale, Harare.

www.cassavasmartech.com

UNAUDITED ABRIDGED CONSOLIDATED FINANCIAL STATEMENTS

for the half year ended 31 August 2019

ABRIDGED SUMMARISED SEGMENT INFORMATION

	RESTATED					
	Unaudited 31 August 2019					
	Mobile money ZWL'000	Digital Bank ZWL'000	InsurTech ZWL'000	Other segments ZWL'000	Eliminations ZWL'000	Total ZWL'000
Revenue	723 066	181 439	76 476	15 450	(50 313)	946 118
Depreciation, amortisation and impairment	(7 524)	(11 464)	(3 109)	(5 525)	-	(27 622)
Segment profit	115 929	(14 375)	(52 323)	14 375	(60 402)	3 204
Segment assets	1 891 671	1 672 962	166 717	960 001	(1 377 742)	3 313 609
Segment liabilities	1 611 140	1 353 541	59 973	431 410	(728 283)	2 727 781

	HISTORICAL					
	Unaudited 31 August 2019					
	Mobile money ZWL'000	Digital Bank ZWL'000	InsurTech ZWL'000	Other segments ZWL'000	Eliminations ZWL'000	Total ZWL'000
Revenue	480 947	117 679	56 360	10 685	(33 564)	632 107
Depreciation, amortisation and impairment	(4 247)	(8 493)	(1 815)	(2 928)	-	(17 483)
Segment profit	54 991	31 711	24 043	(166 694)	(47 223)	(103 172)
Segment assets	1 795 853	1 655 857	162 754	520 410	(980 969)	3 153 905
Segment liabilities	1 612 602	1 358 913	57 870	440 578	(728 283)	2 741 680

NOTES TO THE ABRIDGED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 31 August 2019

1. General information

The main business of Cassava Smartech Zimbabwe Limited (“the Group”) is mobile money, digital banking, insurtech and on demand services. The abridged consolidated financial results incorporate subsidiaries which are listed in note 5.

These financial statements are presented in Zimbabwe dollars (ZWL\$) being the currency of the primary economic environment in which the Group operates.

2. Accounting policies

The principal accounting policies of the Group have been applied consistently in all material respects with those of the previous year unless otherwise stated and except for the adoption of standards and amendments effective for the current period as described below.

The Group adopted IFRS 16 Leases on 1 March 2019 which resulted in changes to the Group's accounting policies and impacted previously reported financial results. The quantitative impact of applying IFRS 16 as at 1 March 2019 are disclosed in Note 4.

The Group also adopted a number of other new standards and amendments on 1 March 2019 which however had no material impact on the half year results.

2.1 Compliance with International Accounting Standard 21 The Effects of Changes in Foreign Exchange Rates

Pursuant to the recognition of the RTGS dollar as currency in Zimbabwe in February 2019 and as reported in the financial statements for the year ended 28 February 2019, the Group adopted the change in functional currency translation guidelines prescribed by Statutory Instrument (S.I.) 33 which prescribed parity between the RTGS dollar and the US dollar for certain balances.

In our opinion and based on the guidance issued by the Public Accountants and Auditors Board (PAAB), the change in functional currency translation guidelines prescribed by S.I. 33 and adopted in preparing the consolidated financial statements for the year ended 28 February 2019 to comply with statutory requirements were contrary to the provisions of IAS 21. Consequently, the accounting treatment adopted for the comparative statement of financial position, comparative statement of changes in equity and the half year results is different from that which would have been adopted if the Group had been able to fully comply with IAS 21.

2.2 Compliance with International Accounting Standard 29 Financial Reporting in Hyperinflationary Economies

The year-on-year inflation as measured by the consumer price index closed August 2019 at 288.5%. The high year-on-year inflation amongst other indicators outlined in IAS 29 resulted in a broad market consensus within the accounting and auditing professions that the Zimbabwe economy had met the characteristics of a hyperinflationary economy. The PAAB confirmed this market consensus and issued a pronouncement in October 2019 which the Directors concur with.

These results have been prepared in accordance with IAS 29 as if the economy had been hyperinflationary from 1 March 2019 being the commencement date of the current financial year and the immediate date after the adoption of the Zimbabwe dollar as the functional and reporting currency by the Group. In order to account for the rapid loss in purchasing power of the local currency, hyperinflation accounting principles require transactions and balances to be stated in terms of the measuring unit current at the end of the reporting period.

The Group adopted the Zimbabwe consumer price index (CPI) as the general price index to restate transactions and balances as appropriate. Non-monetary assets and liabilities carried at historic cost have been restated to reflect the change in the general price index from 1 March 2019 to the end of the reporting period. Monetary items assets and liabilities; and non-monetary assets and liabilities carried at revalued amounts have not been restated as they are presented at the measuring unit current at the end of the reporting period. Items recognised in the income statement have been restated by applying the change in the general price index from the dates when the transactions were initially earned or incurred unless they relate to items already accounted for at fair value, with the corresponding adjustment presented in the income statement. A net monetary loss was recognised in the statement of profit or loss. All items in the statement of cash flows are expressed in terms of the general price index at the end of the reporting period.

2.3 Adoption of IFRS 16 - Change in accounting policy

The Group retrospectively adopted IFRS 16 on 1 March 2019 as a replacement of IAS 17 Leases as well as the related interpretations. IFRS 16 introduced a single on balance sheet accounting model for leases by lessees and eliminates the distinction between operating and finance leases.

NOTES TO THE ABRIDGED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 31 August 2019

2.3 Adoption of IFRS 16 - Change in accounting policy (continued)

2.3.1 The Group's leasing activities

As permitted by IFRS 16, the Group elected not to restate its comparative financial statements. Consequently, comparative information is reported on an IAS 17 basis and is not fully comparable to prior period and/or prior year information. The impact of adopting IFRS 16 has been applied retrospectively with an adjustment to the Group's opening reserves at 1 March 2019.

As a lessee, the Group recognised right-of-use assets representing its rights to use the underlying assets and its leasee liabilities representing its obligation to make lease payments. Lease liabilities were measured at the present value of the remaining lease payments, discounted using the Group's weighted average incremental borrowing rate at 1 March 2019. Generally, the Group uses the weighted average incremental borrowing rate for discounting purposes. Right-of-use assets were measured at the amount equal to the lease liability, adjusted by prepaid or accrued lease payments and initial direct costs, if any, relating to that lease recognised on the balance sheet at 28 February 2019. Lessor accounting remains similar to previous accounting policies.

The Group leases buildings. Lease contracts are typically made for fixed tenures averaging between 1 to 5 years with extension options. Lease terms are individually negotiated and contain a wide range of different terms and conditions.

In determining the lease tenure, consideration is given to all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated). Management applies judgement in assessing whether it is reasonably likely that options will be exercised. Factors considered include how far in the future an option occurs, the Group's business planning cycle and past history of terminating/not renewing leases.

2.3.2 IFRS 16 key financial impacts

Below is a summary of the financial impact on transition to IFRS 16 on 1 March 2019;

The Group recognised in profit or loss depreciated charge on right-of-use assets of ZWL 1,470,686 and interest costs of ZWL 217,633 on lease liabilities.

3. Demerged operations

As reported in the consolidated financial statements for the four months ended 28 February 2019, the Group under a scheme of reconstruction acquired the smart technology business units from Econet Wireless Zimbabwe Limited largely comprising Steward Bank Limited, Steward Health (Private) Limited, EcoCash (Private) Limited, Econet Insurance (Private) Limited and Econet Life (Private) Limited (“the Entities”). The unbundling which took effect on 1 November 2018, was effected to unlock shareholder value, enhance management focus and allow focused implementation of strategies and improve capital allocation decisions.

The group therefore commenced operations on 1 November 2018 and does not have prior year comparative information.

	RESTATED
	Unaudited 31 August 2019 ZWL'000
4. Depreciation of property, plant and equipment and amortisation of intangible assets	
Charge for the period	27 622

The Group voluntarily changed its accounting policy for determining the carrying amount of property, plant and equipment and intangibles as appropriate from the cost model to the revaluation model with effect from 1 November 2018. The revaluation model was adopted to fairly present the carrying amount of assets and enhance assessment of the financial performance of the Group against the investment in the assets in view of the high inflation.

	RESTATED
	Unaudited 31 August 2019 ZWL'000
5. Commitments for capital expenditure	
Authorised by Directors and contracted	197 112
Authorised by Directors but not contracted	227 989
The capital expenditure is to be financed out of the Group's own resources and existing facilities.	
6. Earnings per share	
Profit for the year attributable to equity holders of the parent (ZWL 000)	6 550
Weighted average number of ordinary shares for the purposes of basic and diluted earnings per share calculation	2 546 257 717
Basic and diluted earnings per share (ZWL cents)	0,26

7. Contingent liabilities

There is no material changes to contingent liabilities from those that were communicated in the last annual financial statements.

8. Events after reporting date

There have been no significant events after reporting date. We continue to monitor the impact of the changing economic conditions on the business.

9. Borrowings

Borrowings comprise debentures with a nominal value of 4.665 US Cents per debenture and a coupon rate of 5% per Annum, redeemable on 3 May 2023.

10. Going concern

The Directors have assessed the ability of the Company and subsidiaries to continue operating as a going concern and believe that the preparation of the consolidated financial statements from which these abridged financial results are derived on a going concern basis is appropriate.