

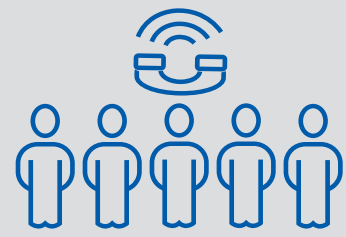
Econet Wireless Zimbabwe Limited

Unaudited Abridged Consolidated Financial Results

for the half year ended 31 August 2019

FINANCIAL HIGHLIGHTS

Subscribers



+10%

12.6m

Unaudited 31 August 2019

11.4m

Reviewed 31 August 2018

Revenue

INFLATION ADJUSTED

+45%

ZW\$ 1,257.5m

Unaudited 31 August 2019

ZW\$ 866.5m

Unaudited 31 August 2018

HISTORICAL

+138%

ZW\$ 836.4m

Unaudited 31 August 2019

ZW\$ 351.3m

Reviewed 31 August 2018

EBITDA

INFLATION ADJUSTED

+90%

ZW\$ 522.7m

Unaudited 31 August 2019

ZW\$ 275.3m

Unaudited 31 August 2018

HISTORICAL

+223%

ZW\$ 360.8m

Unaudited 31 August 2019

ZW\$ 111.6m

Reviewed 31 August 2018

Market Share - Industry Voice Traffic

72%

79%



Q2 2018

Q2 2019

Market Share - Data Traffic

69%

73%



Q2 2018

Q2 2019

Market Share - Customer

66%

69%



Q2 2018

Q2 2019

Developing Digital Lifestyles



Inspired to change your world

PROFESSIONAL > PIONEERING > PERSONAL >

Visit our website for a wealth of investor information: www.econet.co.zw
email us on: ir@econet.co.zw

Directors: Dr. J. Myers (Chairman)*, Mr. S.T. Masiyiwa, Mr. R. Chimankire, Dr. J. Chimhanzi*, Mr. M. Edge*, Mr. M. Gasela*, Mr. G. Gomwe*, Mr. D. Mboweni, Ms. B. Mtetwa*, Ms T. Moyo*, Mr. H. Pemhiwa*. *Non Executive

Group Company Secretary: Mr. C.A. Banda | **Econet Wireless Zimbabwe Limited:** Incorporated in the Republic of Zimbabwe. Company registration number 7548/98

Registered Office: Econet Park, 2 Old Mutare Road, Msasa, Harare, Zimbabwe. E-mail: info@econet.co.zw Website: www.econet.co.zw

Registrars and Transfer Secretaries: First Transfer Secretaries (Private) Limited, 1 Armagh Avenue, Eastlea, Harare, Zimbabwe | **Auditors:** Deloitte & Touche (Zimbabwe), West Block, Borrowdale Office Park, Borrowdale Road, P.O. Box 267, Harare, Zimbabwe.

Our role as a **Business** is critical to enable **economic growth** & improving the **well-being of communities** we serve



Econet Wireless Zimbabwe Limited

Unaudited Abridged Consolidated Financial Results

for the half year ended 31 August 2019

CHAIRMAN'S STATEMENT

INTRODUCTION

Econet Wireless Zimbabwe ("the Company / Group") remains the leader in the telecommunications sector commanding a customer market share of close to 70%. Our leadership position has been attained and maintained through an understanding of customer needs and continued provision of telecommunications services at a quality level that is unmatched by the competition. Not only has the Company continued to grow its market share, its volume growth in terms of minutes of use and data bytes delivered has remained resilient showing that there is still strong demand in the market for our products and services.

ECONOMIC ENVIRONMENT

These results are presented in the Zimbabwe Dollars ("ZWL / ZW\$"), the functional currency of Zimbabwe. The Zimbabwe Fiscal and Monetary Authorities have designated the ZWL as the only currency that is permitted for trading in Zimbabwe. The Company is operating in an environment where the local currency is now regarded as the currency of a hyperinflationary economy. Hyperinflation has affected our customers negatively as consumer purchasing power has declined and consequently affected the viability of all businesses in Zimbabwe.

TARIFFS

The charges applicable to all the services provided by the Company are regulated by the Postal and Telecommunications Regulatory Authority of Zimbabwe (POTRAZ) based on sector specific economic models. Due to the inflationary conditions in the country tariffs are lagging behind inflation. Voice, SMS and data tariffs charged in Zimbabwe are now amongst the lowest in Africa. This is at a time when the country is experiencing up to 18 hours of power outages and our network is running almost exclusively on diesel generators, a situation which is clearly untenable. The Company and other operators continue to implore the POTRAZ and the government to consider the impact of these debilitating challenges on the viability of the sector and the negative impact on our ability to offer quality service to customers. We continue to customise our consumer packages to take into account the unique needs of each consumer segment in light of the prevailing challenges so that we adopt a responsible approach to pricing our products and services.

OPERATING REVIEW

Our engineers and commercial teams have had to come up with innovative ways to manage network quality and availability under extremely challenging circumstances. The Board commends our management team for achieving the quality of service and network reliability that they have achieved with no grid power during the day and without foreign currency for key maintenance activities, let alone capacity upgrades. The Company has focused its available resources on investing in alternative renewable power solutions. Our core sites, including our switching centres have now been connected using solar power. However, our efforts have been hampered by our limited access to foreign currency.

Our digitalization journey continues with a focus on artificial intelligence, big data analytics, machine learning, among other areas of digital transformation. These new skills and platforms are being used for the benefit of our customers and for improving efficiencies in our business. Our Enterprise business segment is now providing digital services to clients across the market which cover customer experience management, IOT services, business application development among other services. Our focus remains on transforming our business from a pure telecommunications operator to a fully-fledged technology business by embracing the evolution of technology and being a fast adopter of new technologies. The recently demerged Smartech business Cassava Smartech Zimbabwe Limited, which is now separately listed on the Zimbabwe Stock Exchange is testimony to our pedigree in developing and nurturing new businesses.

A number of innovative products and services were launched. Buddie Beatz now has over 280 000 customers who are enabled to stream music on their handheld devices. We have also empowered local artists to access this platform and in the process, we have created employment opportunities downstream. We also launched BidBuddie, a robust advertising platform that enables businesses to better reach their target market. Over 3,000 companies that

include SMEs, banking partners and corporates found this platform convenient and improved ease of doing business in this digital era.

OUR PARTNERS

Over the past three years, the Company has not been able to sufficiently reinvest to maintain our telecoms infrastructure. This continued under-investment will inevitably result in a deterioration in service quality if it continues, a fact which the Board and management has brought to the attention of POTRAZ and Government. The Company appreciates the support of our main equipment suppliers; ZTE of China and Ericsson of Sweden, who have provided exceptional support to allow the Company to continue to run its platforms without security of payment. This support has been necessary to ensure that near normal operations are sustained. This has unfortunately resulted in a build-up of foreign currency obligations that require settlement. The resultant exchange losses have negatively impacted the performance of the Company.

ADOPTION OF IAS 29: FINANCIAL REPORTING IN HYPERINFLATIONARY ECONOMIES

Having assessed the impact of hyperinflation in the economy, the Public Accountants and Auditors Board (PAAB), have advised that the conditions for adopting International Accounting Standard (IAS 29): Financial Reporting in Hyperinflationary Economies have been satisfied with effect from 1 July 2019. Both historic cost and inflation adjusted financial figures have been prepared and presented, in line with the requirements of International Financial Reporting Standards, in particular, IAS 29.

FINANCIAL REVIEW

Cautionary

Users of the financial statements are recommended to exercise caution in the use of these financial statements. Whilst the Directors have exercised reasonable due care and applied judgements that they felt were appropriate in the preparation and presentation of these financial statements, certain distortions may arise due to various specific economic factors that may affect the relevance and reliability of information that is presented in economies that are experiencing hyperinflation. The commentary in this Chairman's report is based on the inflation adjusted financial statements.

Comparative information

Post the demerger of Cassava Smartech Zimbabwe Limited, prior year comparatives have been adjusted to separately disclose Cassava Smartech as a demerged operation. The inflation adjusted figures have been indexed for comparative purposes by applying to the prior year historic cost numbers inflation indices prevailing at the time.

Consolidated performance

Group revenue for the half year to 31 August 2019 was ZW\$ 1.3 billion. The Earnings Before Interest Taxation, Depreciation and Amortisation ("EBITDA") margin was 42%. Management implemented appropriate cost efficiency strategies in light of the deteriorating economic environment.

The investment in Liquid Telecommunications Holdings Limited ("Liquid Telecoms") of US\$ 135 million, at the time of the transaction, has been accounted for as an investment and a fair value adjustment of ZW\$ 1.1 billion of this investment has been processed through the Statement of Other Comprehensive Income.

The Group owns about 20% of Cassava Smartech Zimbabwe Limited, which is listed on the Zimbabwe Stock Exchange. The equity accounted earnings of ZW\$ 22.7 million are reported in these results. The current valuation of this holding is ZW\$ 777 million, as at 31 August 2019, representing value that is embedded in the business.

The Group's results for the period under review were significantly weighed down by the accelerated depreciation of the local currency. As a result of outstanding foreign currency obligations, the Group recorded foreign exchange losses of ZW\$ 1.9 billion.

Net foreign currency position

The net foreign exchange position of the Group is positive due to the investment in Liquid Telecoms. The Group has been able to manage its relationships to obtain credit from its vendors at a time when it would have been impossible for the business to continue operating without this support. All USD amortising debt that the Group had was extinguished using funds raised through a Rights Offer in 2017. The current obligations relate to vendor credit which is secured against the equipment provided by the vendors.

DEBENTURES

Although the Directors continue to account for all debentures issued during the May 2017 Rights Offer as though they were all US Dollar denominated instruments, this position may change in future to enable the Company to comply with monetary authority policy and regulations. This is particularly so for local shareholders who participated in the rights offer using onshore dollars whose counterpart offshore dollars were provided by the Rights Offer Underwriter.

CORPORATE SOCIAL INVESTMENT

The Group's social investment focus has evolved to encompass a more holistic approach that focuses on human capital development, recognising that beyond education; additional investments in health, nutrition, entrepreneurship, women's empowerment, and livelihoods are critical to creating thriving individuals and communities.

In the aftermath of Cyclone Idai in March 2019, the Group continued providing relief to affected communities in the form of school fees assistance, food distribution, child protection and sanitation infrastructure rehabilitation.

OUTLOOK

The robust business model that we have developed has shown its resilience over time. The strength and resilience of the business has been demonstrated over the years. Over the last 10 years, post the first hyperinflation episode, which ended in 2009, the business has experienced exceptional growth.

We remain confident in the prospects of the business and its ability to withstand the challenges that confront us. Our relationships with our vendors, policy makers, our customers and people will be pivotal to our success. We continue to place emphasis on creating sustainable long term solutions and we hope and trust that the policy thrust from the authorities will be anchored on creating a sustainable business environment. We are confident that we have put in place the structures and processes that will allow us to quickly adapt to the changes in our environment.

DIVIDEND DECLARATION

The Board has not recommended the declaration of a dividend for the half year ending 31 August 2019.

APPRECIATION

Once again, on behalf of the Board, I would like to extend my profound gratitude to our customers who have supported the business through this difficult period. I would like to recognise the invaluable support that we continue to receive from our partners. The unwavering commitment from management and our staff in creating and preserving shareholder value is greatly appreciated. I would also like to acknowledge the collective and invaluable support that I continue to receive from fellow Board members.

Dr. J. Myers
Chairman on the Board

14 November 2019

TIP-OFFS ANONYMOUS
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ECONET WIRELESS ZIMBABWE LIMITED - UNAUDITED ABRIDGED FINANCIAL RESULTS FOR THE HALF YEAR ENDED 31 AUGUST 2019

Consolidated statement of profit or loss and other comprehensive income

For the half year ended 31 August 2019

	Note	Inflation adjusted		Historical	
		Unaudited 31 August 2019	Unaudited 31 August 2018	Unaudited 31 August 2019	Reviewed 31 August 2018
(All figures in ZW\$ 000)					
Total revenue		1,257,452	1,480,730	836,437	600,272
Revenue (demerged operations)	4	-	614,255	-	249,012
Revenue (continuing operations)		1,257,452	866,475	836,437	351,260
Continuing operations					
Earnings before interest, taxation, depreciation and amortisation		522,724	275,301	360,841	111,604
Depreciation, amortisation and impairment		(181,778)	(130,909)	(176,736)	(53,069)
Profit from operations		340,946	144,392	184,105	58,535
Net monetary adjustment		155,576	-	-	-
Net exchange losses		(1,850,962)	(1,537)	(1,296,270)	(623)
Net finance costs		(2,138)	(3,809)	(3,724)	(1,544)
(Loss) / profit before tax		(1,356,578)	139,046	(1,115,889)	56,368
Income tax credit / (expense)		66,917	(76,795)	127,646	(31,132)
(Loss) / profit for the period from continuing operations		(1,289,661)	62,251	(988,243)	25,236
Profit for the period from demerged operations	4	-	242,539	-	98,323
(Loss) / profit for the period		(1,289,661)	304,790	(988,243)	123,559
Other comprehensive income					
Gain on revaluation of property, net of tax		1,123,077	-	2,604,023	-
Fair value gain on investments at FVTOCI, net of tax		1,107,866	-	1,107,866	-
Share of other comprehensive income of associate		22,051	-	63,984	-
Total comprehensive income for the period		963,333	304,790	2,787,630	123,559
(Loss) / profit for the period attributable to:					
Equity holders of the parent		(1,301,193)	326,142	(983,837)	132,215
Non-controlling interests		11,532	(21,352)	(4,406)	(8,656)
(Loss) / profit for the period		(1,289,661)	304,790	(988,243)	123,559
Total comprehensive income for the period attributable to:					
Equity holders of the parent		935,245	326,142	2,761,105	132,215
Non-controlling interests		28,088	(21,352)	26,525	(8,656)
Total comprehensive income for the period		963,333	304,790	2,787,630	123,559
(Loss) / earnings per share	7				
Basic and diluted earnings per share (ZW\$ cents)		(50.2)	12.8	(38.0)	5.2
Number of shares in issue		2,590,576,832	2,590,576,832	2,590,576,832	2,590,576,832
Weighted average number of shares in issue		2,590,498,367	2,546,257,717	2,590,498,367	2,546,257,717

Consolidated statement of financial position

As at 31 August 2019

	Note	Inflation adjusted		Historical	
		Unaudited 31 August 2019	Unaudited 28 February 2019	Unaudited 31 August 2019	Audited 28 February 2019
(All figures in ZW\$ 000)					
Assets					
Property, plant and equipment, intangible assets and goodwill		4,842,992	3,196,154	4,673,490	1,295,687
Other non-current assets		134,700	119,761	155,358	48,550
Deferred tax		382,505	237,979	292,123	96,474
Financial instruments - long term		1,497,712	893,087	1,497,712	362,048
Financial instruments - short term		890,653	1,440,908	890,653	584,129
Other current assets		209,742	27,009	111,337	10,949
Total assets		7,958,304	5,914,898	7,620,673	2,397,837
EQUITY AND LIABILITIES					
EQUITY					
Share capital and share premium		237,724	237,724	96,371	96,371
Retained earnings		2,023,537	3,383,078	(453,323)	588,862
Other reserves		2,249,939	13,501	4,533,017	788,075
Attributable to equity holders of the parent		4,511,200	3,634,303	4,176,065	1,473,308
Non-controlling interests		17,523	(10,565)	22,242	(4,283)
Total equity		4,528,723	3,623,738	4,198,307	1,469,025
LIABILITIES					
Deferred tax		1,186,999	729,701	1,186,999	295,813
Other non-current liabilities		70,537	40,983	70,537	16,614
Financial instruments:					
- Long-term interest-bearing debt	8	318,719	178,014	318,719	72,165
- Short-term interest-bearing debt		2,753	6,497	2,753	2,634
- Other financial instruments - short term		1,656,524	1,223,675	1,656,524	496,065
Other current liabilities		194,049	112,290	186,834	45,521
Total liabilities		3,429,581	2,291,160	3,422,366	928,812
Total equity and liabilities		7,958,304	5,914,898	7,620,673	2,397,837

Consolidated statement of cash flows

For the half year ended 31 August 2019

	Note	Inflation adjusted		Historical	
		Unaudited 31 August 2019	Unaudited 31 August 2018	Unaudited 31 August 2019	Reviewed 31 August 2018
(All figures in ZW\$ 000)					
Cash flows from operations					
Income taxes paid		(114,037)	(152,002)	(32,837)	(61,620)
Net cash generated from operations		544,440	562,681	264,645	228,105
Cash flows from investing activities					
Acquisition of property, plant and equipment and intangible assets		(11,432)	(47,794)	(10,403)	(19,375)
Net acquisition of other investments		(32,809)	(166,803)	(20,629)	(67,620)
Net cash used in investing activities		(44,241)	(214,597)	(31,032)	(86,995)
Cash flows from financing activities					
Finance costs paid		(245)	(2,647)	(198)	(1,073)
Dividend paid		-	(100,644)	-	(40,800)
Share buy-back		(58,348)	(95,222)	(58,348)	(38,602)
Increase in deposits due to banks and customers		-	537,140	-	217,751
Repayment of borrowings		-	(1,490)	-	(604)
Issue of share capital and premium		-	27	-	11
Net cash (utilised in) / generated from financing activities		(58,593)	337,164	(58,546)	136,683
Inflation effect on cash and cash equivalents		(660,390)	-	-	-
Net (decrease) / increase in cash and cash equivalents		(218,784)	685,248	175,067	277,793
Cash and cash equivalents at beginning of period		657,936	863,837	264,085	350,190
Cash and cash equivalents at end of period		439,152	1,549,085	439,152	627,983
Comprising:					
Restricted bank balances (mobile money trust balances)		-	863,663	-	350,120
Non-restricted cash and cash equivalents		439,152	685,422	439,152	277,863
		439,152	1,549,085	439,152	627,983

Consolidated statement of changes in equity

For the half year ended 31 August 2019

	Inflation adjusted					
	Share capital and share premium	Retained earnings	Other	Attributable to equity holders of the parent	Non-controlling interests	Total
(All figures in ZW\$ 000)						
Balance at 1 March 2018	237,724	1,632,218	21,860	1,891,802	(12,144)	1,879,658
Changes on initial application of IFRS 9	-	(7,487)	(8,359)	(15,846)	-	(15,846)
Profit for the period	-	326,142	-	326,142	(21,352)	304,790
Issue of share capital and share premium	-	-	-	-	27	27
Purchase of treasury shares	-	(95,222)	-	(95,222)	-	(95,222)
Dividends declared	-	(74,410)	-	(74,410)	-	(74,410)
Balance at 31 August 2018	237,724	1,781,241	13,501	2,032,466	(33,469)	1,998,997
Balance at 1 March 2019						
Balance at 1 March 2019	237,724	3,383,078	13,501	3,634,303	(10,565)	3,623,738
Loss for the period	-	(1,301,193)	-	(1,301,193)	11,532	(1,289,661)
Purchase of treasury shares	-	(58,348)	-	(58,348)	-	(58,348)
Gain on revaluation of property, net of tax	-	-	1,106,521	1,106,521	16,556	1,123,077
Share of other comprehensive income of associate	-	-	22,051	22,051	-	22,051
Fair value gain on investments at FVTOCI, net of tax	-	-	1,107,866	1,107,866	-	1,107,866
Balance at 31 August 2019	237,724	2,023,537	2,249,939	4,511,200	17,523	4,528,723
(All figures in ZW\$ 000)						
Historical						
(All figures in ZW\$ 000)						
Balance at 1 March 2018	96,371	661,684	8,862	766,917	(4,923)	761,994
Changes on initial application of IFRS 9	-	(3,035)	(3,389)	(6,424)	-	(6,424)
Profit for the period	-	132,215	-	132,215	(8,656)	123,559
Issue of share capital and share premium	-	-	-	-	11	11
Purchase of treasury shares	-	(38,602)	-	(38,602)	-	(38,602)
Dividends declared	-	(30,165)	-	(30,165)	-	(30,165)
Balance at 31 August 2018	96,371	722,097	5,473	823,941	(13,568)	810,373
Balance at 1 March 2019						
Balance at 1 March 2019	96,371	588,862	788,075	1,473,308	(4,283)	1,469,025
Loss for the period	-	(983,837)	-	(983,837)	(4,406)	(988,243)
Purchase of treasury shares	-	(58,348)	-	(58,348)	-	(58,348)
Gain on revaluation of property, net of tax	-	-	2,573,092	2,573,092	30,931	2,604,023
Share of other comprehensive income of associate	-	-	63,984	63,984	-	63,984
Fair value gain on investments at FVTOCI, net of tax	-	-	1,107,866	1,107,866	-	1,107,866
Balance at 31 August 2019	96,371	(453,323)	4,533,017	4,176,065	22,242	4,198,307

Summarised segment information

	Inflation adjusted					
	31 August 2019			31 August 2018		
	Cellular network operations	Other segments	Net eliminations	Cellular network operations	Other segments	Net eliminations
(All figures in ZW\$ 000)						
Revenue and net interest income (from external customers)	1,239,485	17,967	-	867,003	13,599	(14,127)
Depreciation, amortisation and impairment	(179,771)	(2,007)	-	(127,418)	(1,384)	(2,107)
Segment (loss) / profit	(855,735)	(408,775)	(25,151)	(1,289,661)	225,277	(193,996)
Segment assets	6,210,933	1,957,607	(210,236)	7,958,304	2,394,009	4,275,224
Segment liabilities	2,911,522	728,295	(210,236)	3,429,581	684,751	3,712,990
				(1,809,618)		
						2,588,123
Historical						
(All figures in ZW\$ 000)						
31 August 2019						
Revenue and net interest income (from external customers)	824,728	11,709	-	836,437	351,474	5,513
Depreciation, amortisation and impairment	(174,729)	(2,007)	-	(176,736)	(51,654)	(561)
Segment profit	(617,868)	(320,329)	(50,046)	(988,243)	91,325	12,555
Segment assets	5,963,807	1,867,102	(210,236)	7,620,673	970,506	1,733,131
Segment liabilities	2,904,882	727,720	(210,236)	3,422,366	277,591	1,505,207
						(733,600)
						1,049,198

This is a summarised segment report showing the Group's major segment, cellular network operations and other segments. Included in "Other" are the results of the following segments: beverages, investments and administration.

Notes to the abridged consolidated financial results

For the half year ended 31 August 2019

1. General information

The main business of Econet Wireless Zimbabwe Limited ("the Group") is mobile telecommunications and related value added services. The abridged consolidated financial results incorporate subsidiaries and associates.

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

2. Statement of compliance

The Group prepares financial statements with the aim to fully comply with International Financial Reporting Standards (IFRS) which comprise standards issued by the International Accounting Standards Board (IASB) and interpretations developed and issued by the International Financial Reporting Interpretations Committee (IFRIC). Compliance with IFRS is intended to achieve consistency and comparability of financial statements. Whereas full compliance with IFRS was achieved in previous reporting periods, only partial compliance has been achieved for the half year ended 31 August 2019.

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

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.

As a result of the pervasive impact of IAS 21 on the consolidated half year results, the Directors advise users of these results to exercise due caution.

The abridged consolidated financial results do not

ECONET WIRELESS ZIMBABWE LIMITED - UNAUDITED ABRIDGED FINANCIAL RESULTS FOR THE HALF YEAR ENDED 31 AUGUST 2019

Notes to the abridged consolidated financial results (continued) For the half year ended 31 August 2019

3. 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 applied IAS 29 *Financial Reporting in Hyperinflationary Economies* (IAS 29) with effect from 1 March 2019 in preparing these results as more fully explained in Note 3.1. IFRS 16 *Leases* (IFRS 16) was adopted 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 3.2.

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

3.1 Application of IAS 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 prescribing application of inflation accounting for reporting periods ended on or after 1 July 2019.

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 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. A net monetary adjustment 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.

Comparative amounts in the Group financial results have been restated to reflect the change in the general price index from 1 March 2019 to the end of the reporting period.

3.2 Adoption of IFRS 16 - Change in accounting policy

The Group 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.

As permitted under the specific IFRS 16 transitional provisions, 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.

As a lessee, the Group recognised right-of-use assets representing its rights to use the underlying assets and lease 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.

(i) The Group's leasing activities

The Group leases tower space and land, retail stores, warehouses and equipment. Lease contracts are typically made for fixed tenures averaging between 1 and 25 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.

(ii) IFRS 16 key financial impact

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

(All figures in ZW\$ 000)	1 March 2019
Right-of-use assets recognised	57,643
Lease liabilities recognised	57,643

The Group recognised in profit or loss depreciation charges on right-of-use assets of ZW\$ 1.8 million and interest costs of ZW\$ 4 million on lease liabilities.

Notes to the abridged consolidated financial results (continued) For the half year ended 31 August 2019

4. Demerged operations

As reported in the consolidated financial statements for the year ended 28 February 2019, the Group under a scheme of reconstruction unbundled the smart technology business unit largely comprising Steward Bank Limited, Steward Health (Private) Limited, EcoCash (Private) Limited, Econet Insurance (Private) Limited and Econet Life (Private) Limited ("the Entities") by transferring 100% of its shareholding in the Entities into a new parent company, Cassava Smartech Zimbabwe Limited (CSZL). The unbundling which took effect on 31 October 2018, was effected to unlock shareholder value, enhance management focus, allow focused implementation of strategies and improve capital allocation decisions.

The prior year comparative statement of profit or loss and other comprehensive income has been represented to disclose the results of the demerged operations. The results of the demerged operations, which were included in the prior period comparative profit or loss, were as follows:

(All figures in ZW\$ 000)	Inflation adjusted	Historical
	31 August 2019	31 August 2018
Revenue	614,255	249,012
Operating expenses	(274,946)	(111,460)
Profit before tax	339,309	137,552
Income tax expense	(96,770)	(39,229)
Net profit from demerged operations	242,539	98,323

5. Depreciation and amortisation of property, plant and equipment and intangible assets

(All figures in ZW\$ 000)	Inflation adjusted		Historical	
	Unaudited 31 August 2019	Unaudited 31 August 2018	Unaudited 31 August 2019	Reviewed 31 August 2018
Charge for the period	181,778	130,909	176,736	53,069

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 September 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.

The change was accounted for prospectively from 1 September 2018. Had the Group not changed the measurement basis to revaluation, the current period depreciation and amortisation charge would have been ZW\$ 47.1 million.

6. Commitments for capital expenditure

(All figures in ZW\$ 000)	Inflation adjusted		Historical	
	Unaudited 31 August 2019	Unaudited 31 August 2018	Unaudited 31 August 2019	Reviewed 31 August 2018
Authorised by the Directors and contracted	9,750	64,646	9,750	26,207
Authorised by the Directors but not contracted	118,543	117,265	118,543	47,538
	128,293	181,911	128,293	73,745

The capital expenditure is to be financed out of the Group's own resources and existing facilities.

7. (Loss) / earnings per share

(All figures in ZW\$ 000)	Inflation adjusted		Historical	
	Unaudited 31 August 2019	Unaudited 31 August 2018	Unaudited 31 August 2019	Reviewed 31 August 2018
(Loss) / profit for the year attributable to equity holders of the parent (ZW\$ 000)	(1,301,193)	326,142	(983,837)	132,215
Weighted average number of ordinary shares for the purposes of basic and diluted earnings per share calculation ('000)	2,590,498	2,546,258	2,590,498	2,546,258
Basic and diluted earnings per share (ZW\$ cents)	(50.2)	12.8	(38.0)	5.2

8. Long-term interest-bearing debt

Long-term interest-bearing debt largely comprises unsecured redeemable debentures with an annual compounding coupon rate of 5% and a tenure of 6 years from date of issue. Interest on the debentures is payable on redemption. The debentures are redeemable at the end of April 2023 or earlier at the discretion of the Board at a price determined by adding to the subscription price the cumulative interest calculated at the coupon rate compounded annually up to the date of redemption. Long term interest debt also includes lease liabilities arising from right-of-use assets.

9. Contingent liabilities

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

10. Events after reporting date

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

11. 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.