

Cassava

Smartech

CASSAVA SMARTECH ZIMBABWE LIMITED

(Incorporated in Zimbabwe on 29 March 2012 under Company Registration Number 2487/2012)

ZSE Alpha Code: CSZL ISIN ZW0009012361

REVIEWED ABRIDGED CONSOLIDATED FINANCIAL STATEMENTS for the six months ended 31 August 2020

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Life is digital



HELP STOP THE SPREAD OF COVID-19



Wash
hands



Safe
distance

For your safety and
other people, please
always wear a face
mask in public.



Disinfect
handles &
surfaces



Stay at
home



Fintech



Insurtech



Agritech



Edutech



Healthtech



eCommerce



On-Demand Services



Social Payments

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

REVIEWED ABRIDGED CONSOLIDATED FINANCIAL STATEMENTS

for the six months ended 31 August 2020

Chairperson’s Statement

INTRODUCTION

2020 has seen unprecedented changes in the way business is done globally because of the COVID-19 pandemic. These changes have reaffirmed the importance of our focus on digital solutions that address day to day problems for all Zimbabweans. Cassava Smartech Zimbabwe seeks to “serve where the need is greatest”, a mission which has driven us to provide appropriate and affordable digital solutions to the agriculture, transport and health sectors.

BUSINESS AND REGULATORY ENVIRONMENT

Statutory Instrument (“SI”) 85 of 2020, which was promulgated on 29 March 2020, allows local businesses to receive and pay for local goods and services using foreign currencies. Although the Group’s products and services are largely still being paid for in local currency, the SI has enabled the business to pursue foreign currency revenue generation opportunities for some of our services.

The Reserve Bank of Zimbabwe (“RBZ”) introduced the Foreign Exchange Auction System on 23 June 2020. The Group has been able to get some allocations on the auction system to meet some of our foreign currency commitments, albeit at a very small scale.

There have also been a number of regulatory directives issued by the RBZ during the period under review which have impacted our business. The directives include a revision of customer transaction limits, suspension of certain user and transaction categories, banning of multiple wallets for individuals. In compliance with SI 80 of 2020, EcoCash has now integrated with ZimSwitch, which the RBZ designated as a national switch. The Group has also applied to RBZ for EcoCash to be designated as a national switch.

We continue reviewing our tariffs, which are approved by the regulator, maintaining a balance between inflation, business sustainability and affordability to our customers. The regulator approved a tariff increase in August , which has had a positive effect on business performance. We expect the full effect of these changes to impact our financial performance in the second half of the financial year.

COVID-19

The COVID-19 pandemic has fundamentally changed the way people live, socialise and interact, leaving businesses to simply adapt to the “new normal”. Global capital markets have been severely impacted as a result of the various levels of lockdowns which were instituted the world over since March 2020.

Since the onset of the pandemic, the Group has prioritized the health and welfare of its staff, customers and other stakeholders. As a responsible corporate citizen, we are keenly aware that the health of our entire value chain is a critical component to our success as a business. For this reason, we have been actively engaged in campaigns, together with the Higher Life Foundation, Ministry of Health and Child Care and other partners, to build awareness and reduce the impact of the global pandemic on our customers. Our interventions included over 60,000 free community tests, funeral cover for health workers, fund raising using our mobile money platform and the digital bank, deployment of hand washing basins in communities, free PPE distribution, a toll free Dial-a-Doctor call centre and sanitization services to protect our customers and business partners.

The advent of COVID-19 has also accelerated our digital transformation journey, enabling us to realize cost efficiencies without loss of productivity. We have embraced virtual working by our staff and designed virtual access platforms to continue serving our customers. The Group has taken advantage of this accelerated digital thrust to come up with new products and services that better respond to the evolving needs of our customers.

OPERATIONS REVIEW

Customer Services Focus

Customer service is at the heart of what we do and the first half of the year was focused on improving customer experience as a way of ensuring that our customers’ needs are well taken care of. We focused on developing state of the art systems aimed at improving turn-around times for service delivery across all our brands. Our main aim is to provide responsive, timely service on a consistent basis in the most cost effective manner. During the first half, a number of automation projects were completed and we anticipate significant improvement in our customer service index as these innovations begin to yield results going forward.

Enhancing our technology platforms

The Core Banking System Upgrade at Steward Bank is due to be completed in December 2020 and will be instrumental in driving our bank’s digital agenda. The upgrade will also enhance regulatory compliance initiatives, whilst enhancing Steward Bank’s ability to offer a wider scope of services on its digital platforms.

The new EcoCash system, which we migrated to in the previous financial year, has stabilised and we are proud to announce that all issues that occurred during the change over were adequately resolved. The system now has capacity to complete 450 transactions per second from an average of 200 transactions per second before the upgrade.

FINANCIAL REVIEW

Having adopted IAS 29 (“Financial Reporting in Hyperinflationary Economies”), this review is based on our inflation adjusted financial results. The Group recorded a revenue decline of 34% to ZWL5.4 billion for the six months ended 31 August 2020 (2019 – ZWL8.2 billion). This was mainly as a result of the COVID induced interruptions to economic activity, as well as the pressure from various regulatory pronouncements, both of which had a significant impact on the revenue of the Group. Whilst transaction volumes also declined during lockdown, the lifting of COVID restrictions and subsequent opening up of the economy from August 2020 saw a notable recovery of volumes across all platforms. The full impact of this recovery will be felt in the second half of the financial year. Management focused on cost containment in order to preserve margins.

Exchange losses continue to weigh-down on business performance, with an amount of ZWL2.4 billion having been recorded in the period under review in respect of the foreign obligations that the Group currently has. Foreign liabilities at the end of the period amounted to US\$ 40.1 million, of which US\$ 31.4 million comprise of the Group’s obligation with respect to the debentures issued by Econet Wireless Zimbabwe Limited prior to the demerger in 2018.

The contribution of the Fintech business units to the Group’s revenue in the period under review, decreased in line with the revenue diversification strategy of the Group. The Group’s revenue diversification strategy is bearing fruit spurred by the exponential revenue growth in the Insurtech and the Digital On Demand Services (“ODS”) business units. This is a validation of the Group’s smartech business model which augurs well for its future outlook. We will continue to leverage on innovation around on-demand technology platforms to ensure convenience for our customers and value for our shareholders.

EcoCash revenue contribution, at 63% (2019 : 73%) declined, both as a result of macro-economic factors and regulatory changes that took place during the period under review, as well as contribution from the exponential growth in the Insurtech and ODS business units. Steward Bank’s contribution has remained stable and is expected to maintain that revenue share on the back of the system upgrade project due to be completed in December.

OUTLOOK

Our mission is to provide solutions to Zimbabweans that address their everyday needs in an affordable and accessible way using technology. We are excited about the impact the digital customer interfaces launched in the first half, and those planned for launch in the second half, have had on enabling convenience for our customers. The imminent completion of Steward Bank’s systems upgrade in December, together with the just completed EcoCash system upgrade, are key to our digital inclusion focus. We are also excited with the emerging opportunities for the Agritech unit as we explore areas of expansion in this critical pillar of the economy.

Our business model driven by innovation, digitization, data analytics and diversification at its core, will remain the cornerstone of ensuring sustainability in the current challenging economic environment. We believe that will preserve and grow shareholder value by being responsive to the current and future needs of our customers.

APPRECIATION

The Board would like to extend its appreciation to our customers for their unwavering support and their confidence in our brands during these difficult times. Despite the difficult operating environment, our staff have remained committed to the success of the Group and continue to do so with excellence. I would like to take this opportunity to acknowledge their immense contribution even in the face of adverse macroeconomic and regulatory conditions. I also take this opportunity to thank our shareholders, strategic business partners and regulatory authorities for their support throughout the period. Together we can achieve greatness and the Board continues to count on each of you, our valued stakeholders, as it relentlessly drives strategies to grow our business into the future and fulfil our digital transformation promise.

DIVIDEND DECLARATION

Cognisant of the prevailing macro-economic fundamentals, the Board resolved not to declare a dividend for the Half Year ended 31 August 2020 and will review this position at the end of the financial year.

On behalf of the Board

Mrs. S. G. Shereni

Chairman of the Board

30 November 2020

Abridged Consolidated Statement of Comprehensive Income

For the 6 months ended 31 August 2020

	Notes	INFLATION ADJUSTED		HISTORICAL*	
		Reviewed 31 August 2020 ZWL'000	Unreviewed 31 August 2019 ZWL'000	Unreviewed 31 August 2020 ZWL'000	Unreviewed 31 August 2019 ZWL'000
Revenue	5	5,390,479	8,150,243	3,401,006	632,107
Earnings before interest, taxation and depreciation		1,045,922	3,189,882	1,134,925	269,423
Depreciation, amortisation and impairment		(614,823)	(237,948)	(129,901)	(17,482)
Foreign exchange losses		(2,443,098)	(4,312,044)	(2,251,451)	(375,436)
Monetary adjustment (IAS 29)		953,885	1,329,340	-	-
Loss from operations		(1,058,114)	(30,770)	(1,246,427)	(123,495)
Net finance costs		(121,995)	(137,503)	(95,221)	(10,408)
Loss before taxation		(1,180,109)	(168,273)	(1,341,648)	(133,903)
Income tax (expense) / credit		(413,026)	195,874	(271,708)	30,732
(Loss) / profit for the period		(1,593,135)	27,601	(1,613,356)	(103,171)
Other comprehensive income					
Other comprehensive income, net of tax		-	949,790	153,225	322,335
Total comprehensive (loss) / income for the period		(1,593,135)	977,391	(1,460,131)	219,164
(Loss) / profit for the period attributable to:-					
Equity holders of the parent		(1,599,681)	56,416	(1,663,587)	(106,370)
Non-controlling interest		6,546	(28,815)	50,231	3,199
(Loss) / profit for the period		(1,593,135)	27,601	(1,613,356)	(103,171)
Total comprehensive (loss) / income for the period attributable to:-					
Equity holders of the parent		(1,599,681)	1,002,390	(1,510,362)	213,548
Non-controlling interest		6,546	(24,999)	50,231	5,616
Total comprehensive (loss) / income for the period		(1,593,135)	977,391	(1,460,131)	219,164
(Loss) / Earnings per share					
Basic and diluted (loss) / earnings per share (ZWL cents)	6	(61.75)	2.00	(64.22)	(418.00)
Headline (loss) / earnings per share (ZWL cents)	6	(60.40)	2.00	(63.50)	(418.00)
Number of shares in issue (000)		2,590,577	2,590,577	2,590,577	2,590,577
Weighted average number of shares in issue (000)		2,590,577	2,590,577	2,590,577	2,590,577

* The unreviewed and unaudited historical financial results have been presented as supplementary information, in line with the PAAB’s recommendation set out in Pronouncement 01/2019. The reviewed inflation adjusted results represent the primary financial information required by IAS 29 and in respect of which the auditors have expressed their review conclusion.

Abridged Consolidated Statement of Financial Position

As at 31 August 2020

	Notes	INFLATION ADJUSTED		HISTORICAL*	
		Reviewed 31 August 2020 ZWL'000	Audited 29 February 2020 ZWL'000	Unreviewed 31 August 2020 ZWL'000	Unaudited 29 February 2020 ZWL'000
Assets					
Property and equipment, intangible assets and goodwill		5,210,947	5,488,614	1,470,529	1,265,478
Other non-current assets		1,241,174	930,666	818,613	206,827
Financial instruments		1,177,831	3,627,436	1,177,831	1,092,787
Financial instruments - short term-MMT	11	1,673,355	5,714,953	1,673,355	1,721,664
Other current assets		5,117,210	5,612,719	5,009,658	1,338,597
Total assets		14,420,517	21,374,388	10,149,986	5,625,353
Equity and Liabilities					
Equity					
Share capital and share premium		55,059	55,059	2,591	2,591
(Accumulated loss) / retained earnings		(989,438)	399,902	(1,914,714)	(251,127)
Other reserves		3,716,944	3,927,285	992,816	839,591
Attributable to equity holders of the parent		2,782,565	4,382,246	(919,307)	591,055
Non-controlling interest		6,234	(312)	76,663	26,432
Total equity		2,788,799	4,381,934	(842,644)	617,487
Liabilities					
Deposits due to banks and other customers		1,680,871	3,686,921	1,680,871	1,110,707
Financial instruments - short term-MMT	11	1,673,355	5,714,953	1,673,355	1,721,664
Other liabilities		8,277,492	7,590,580	7,638,404	2,175,495
Total liabilities		11,631,718	16,992,454	10,992,630	5,007,866
Total equity and liabilities		14,420,517	21,374,388	10,149,986	5,625,353

* The unreviewed and unaudited historical financial results have been presented as supplementary information, in line with the PAAB’s recommendation set out in Pronouncement 01/2019. The reviewed inflation adjusted results represent the primary financial information required by IAS 29 and in respect of which the auditors have expressed their review conclusion.

REVIEWED ABRIDGED CONSOLIDATED FINANCIAL STATEMENTS

for the six months ended 31 August 2020

Abridged Consolidated Statement of Changes in Equity

For the 6 months ended 31 August 2020

	INFLATION ADJUSTED					
	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	55,059	104,682	3,886,165	4,045,906	40,591	4,086,497
Profit / (loss) for the period	-	56,416	-	56,416	(28,815)	27,601
Other comprehensive income for the period	-	-	945,974	945,974	3,816	949,790
Total comprehensive income / (loss) for the period	-	56,416	945,974	1,002,390	(24,999)	977,391
Transfer out of reserves	-	-	(17,324)	(17,324)	-	(17,324)
Balance at 31 August 2019 (unreviewed)	55,059	161,098	4,814,815	5,030,972	15,592	5,046,546
Balance at 1 March 2020	55,059	399,902	3,927,285	4,382,246	(312)	4,381,934
(Loss) / profit for the period	-	(1,599,681)	-	(1,599,681)	6,546	(1,593,135)
Total comprehensive (loss) / income for the period	-(1,599,681)	-	-(1,599,681)	-(1,599,681)	6,546	(1,593,135)
Transfer within reserves	-	210,341	(210,341)	-	-	-
Balance at 31 August 2020 (reviewed)	55,059	(989,438)	3,716,944	2,782,565	6,234	2,788,799

	HISTORICAL*					
	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
(Loss) / profit for the period	-	(106,370)	-	(106,370)	3,199	(103,171)
Other comprehensive income for the period	-	-	319,918	319,918	2,417	322,335
Total comprehensive (loss) / income for the period	-	(106,370)	319,918	213,548	5,616	219,164
Transfer out of reserves	-	-	(2,011)	(2,011)	-	(2,011)
Balance at 31 August 2019 (unreviewed)	2,591	(98,683)	501,393	405,301	7,526	412,827
Balance at 1 March 2020	2,591	(251,127)	839,591	591,055	26,432	617,487
(Loss) / profit for the period	-	(1,663,587)	-	(1,663,587)	50,231	(1,613,356)
Other comprehensive income for the period	-	-	153,225	153,225	-	153,225
Total comprehensive (loss) / income for the period	-(1,663,587)	153,225	(1,510,362)	(1,510,362)	50,231	(1,460,131)
Balance at 31 August 2020 (unreviewed)	2,591	(1,914,714)	992,816	(919,307)	76,663	(842,644)

* The unreviewed and unaudited historical financial results have been presented as supplementary information, in line with the PAAB's recommendation set out in Pronouncement 01/2019. The reviewed inflation adjusted results represent the primary financial information required by IAS 29 and in respect of which the auditors have expressed their review conclusion.

"Other Reserves" comprise of an unbundling reserve which arose at the point of Cassava Smartech Zimbabwe Limited's demerger from Econet Wireless Zimbabwe Limited, and the revaluation reserve arising from the revaluation of property and equipment.

The transfer within reserves relates to revaluation surpluses that no longer qualify for classification under revaluation reserves.

Abridged Consolidated Statement of Cashflows

For the 6 months ended 31 August 2020

	INFLATION ADJUSTED		HISTORICAL*	
	Reviewed 31 August 2020 ZWL'000	Unreviewed 31 August 2019 ZWL'000	Unreviewed 31 August 2020 ZWL'000	Unreviewed 31 August 2019 ZWL'000
Cash generated from operations	3,223,094	655,186	2,792,622	1,023,399
Income tax paid	(165,430)	(510,447)	(109,772)	(54,831)
Net cash generated from operations	3,057,664	144,739	2,682,850	968,568
Investing activities				
Net acquisition of property and equipment and intangible assets	(259,471)	(1,272,563)	(126,723)	(105,201)
Net (acquisition) / disposal of financial instruments	(146,860)	(867,471)	76,269	(133,047)
Other investing activities	(107,996)	(181,841)	(115,833)	(29,908)
Net cash used in investing activities	(514,327)	(2,321,875)	(166,287)	(268,156)
Cash flows from financing activities				
Financing costs paid	(122,272)	(1,878)	(95,498)	(181)
Net cash flows used in financing activities	(122,272)	(1,878)	(95,498)	(181)
Net increase / (decrease) in cash and cash equivalents	2,421,065	(2,179,014)	2,421,065	700,231
Cash and cash equivalents at the beginning of the period	2,249,237	13,808,658	2,249,237	649,792
Cash and cash equivalents as at August	4,670,302	11,629,644	4,670,302	1,350,023
Comprising:				
Cash and cash equivalents restricted	1,673,355	9,131,062	1,673,355	1,059,976
Cash and cash equivalents non-restricted	2,996,947	2,498,582	2,996,947	290,047
Cash and cash equivalents as at August	4,670,302	11,629,644	4,670,302	1,350,023

* The unreviewed and unaudited historical financial results have been presented as supplementary information, in line with the PAAB's recommendation set out in Pronouncement 01/2019. The reviewed inflation adjusted results represent the primary financial information required by IAS 29 and in respect of which the auditors have expressed their review conclusion.

Abridged Segment Information

For the 6 months ended 31 August 2020

	INFLATION ADJUSTED					
	Mobile money ZWL'000	Digital Banking ZWL'000	InsurTech ZWL'000	Other Segments ZWL'000	Eliminations ZWL'000	Total ZWL'000
6 months ended 31 August 2020 (reviewed)						
Revenue	3,550,530	963,071	763,776	346,031	(232,929)	5,390,479
Depreciation, amortisation and impairment	(133,052)	(398,069)	(33,745)	(49,957)	-	(614,823)
Segment profit / (loss)	453,647	145,355	4,711	(1,139,030)	(1,057,818)	(1,593,135)
Segment assets	6,837,125	7,036,578	1,365,559	6,954,884	(7,773,629)	14,420,517
Segment liabilities	5,010,015	4,753,120	654,404	3,761,078	(2,546,899)	11,631,718
6 months ended 31 August 2019 (unreviewed)						
Revenue	6,228,783	1,562,989	658,795	133,093	(433,417)	8,150,243
Depreciation, amortisation and impairment	(64,815)	(98,756)	(26,782)	(47,595)	-	(237,948)
Segment profit / (loss)	998,659	(123,832)	(450,731)	123,832	(520,319)	27,609
Year ended 29 February 2020 (audited)						
Segment assets	11,843,903	12,145,789	1,398,684	7,228,695	(11,242,683)	21,374,388
Segment liabilities	9,225,970	10,018,429	768,078	2,974,533	(5,994,556)	16,992,454

	HISTORICAL*					
	Mobile money ZWL'000	Digital Banking ZWL'000	InsurTech ZWL'000	Other Segments ZWL'000	Eliminations ZWL'000	Total ZWL'000
6 months ended 31 August 2020 (unreviewed)						
Revenue	2,165,908	600,190	543,545	232,282	(140,919)	3,401,006
Depreciation, amortisation and impairment	(40,237)	(61,797)	(12,682)	(15,185)	-	(129,901)
Segment profit / (loss)	235,610	73,159	396,745	(2,318,082)	(788)	(1,613,356)
Segment assets	5,316,687	5,235,578	1,223,841	1,185,643	(2,811,763)	10,149,986
Segment liabilities	4,651,573	4,662,164	587,500	3,638,291	(2,546,898)	10,992,630
6 months ended 31 August 2019 (unreviewed)						
Revenue	480,947	117,679	56,360	10,685	(33,564)	632,107
Depreciation, amortisation and impairment	(4,247)	(8,493)	(1,815)	(2,927)	-	(17,482)
Segment profit / (loss)	54,991	31,711	24,043	(166,694)	(47,223)	(103,172)
Year ended 29 February 2020 (unaudited)						
Segment assets	3,234,540	3,298,875	403,847	755,122	(2,067,031)	5,625,353
Segment liabilities	2,805,036	2,951,845	164,251	889,906	(1,803,172)	5,007,866

* The unreviewed and unaudited historical financial results have been presented as supplementary information, in line with the PAAB's recommendation set out in Pronouncement 01/2019. The reviewed inflation adjusted results represent the primary financial information required by IAS 29 and in respect of which the auditors have expressed their review conclusion.

Notes to the Abridged Consolidated Financial Statements

For the 6 months ended 31 August 2020

1. GENERAL INFORMATION

Cassava Smartech Zimbabwe Limited ("CSZL" or "the Company") and its subsidiaries were demerged from Econet Wireless Zimbabwe Limited ("EWZL"), effective 1 November 2018.

These abridged consolidated financial statements comprise the Company and its subsidiaries (collectively "the Group" and individually the "Group companies"). The Group's subsidiaries and main activities are as follows:

- EcoCash (Private) Limited - (mobile money transfer and payments services);
- Steward Bank Limited - (digital commercial bank);
- Econet Life (Private) Limited - (mobile based funeral and life assurance company)
- Econet Insurance (Private) Limited - (short-term insurance company);
- Econet Services (Private) Limited - (On-demand services, e-commerce, farming technology and digital education services);
- Steward Health (Private) Limited - (medical aid service provider); and
- MARS (Private) Limited - (medical air and road rescue services).

CSZL and its subsidiaries are incorporated in Zimbabwe. CSZL's registered office is 1906 Borrowdale Road, Harare. The ultimate holding company for the Group is Econet Global Limited, which is registered in Mauritius.

These abridged consolidated financial statements for the 6 months ended 31 August 2020 are presented in Zimbabwe Dollars ("ZWL"), which is the functional and presentation currency of the primary economic environment in which the Group's entities operate.

Historical results have been presented as supplementary information, in line with the Public Accountants and Auditors Board ("PAAB") recommendation set out in Pronouncement 01/2019. The reviewed inflation adjusted results represent the primary financial information required by IAS 29 and IAS 34.

2. STATEMENT OF COMPLIANCE

The Group prepares its annual consolidated financial statements with the aim to fully comply with International Financial Reporting Standards ("IFRSs"), which comprise standards issued by the International Accounting Standards Board (IASB) and interpretations developed and issued by the International Financial Reporting Standards Interpretations Committee ("IFRS IC"). Compliance with IFRSs is intended to achieve consistency and comparability of financial statements.

The principal accounting policies of the Group, as reported in the annual financial statements for the year ended 29 February 2020, have been applied consistently in all material respects, unless otherwise stated.

These abridged consolidated financial statements for the 6 months ended 31 August 2020 have been prepared with the aim to fully comply with the requirements of International Accounting Standard ("IAS") 34 'Interim Financial Reporting'.

3. ACCOUNTING POLICIES

3.1 Basis of preparation and consolidation

The abridged consolidated financial statements have been prepared based on statutory records which are maintained on a historical cost basis except, for certain financial instruments and items of items of property and equipment and intangible assets that are measured at fair value, and have been restated to comply with the requirements of IAS 29 'Financial Reporting in Hyperinflationary Economies' as more fully described on Note 3.2 below.

REVIEWED ABRIDGED CONSOLIDATED FINANCIAL STATEMENTS

for the six months ended 31 August 2020

Notes to the Abridged Consolidated Financial Statements (continued)

For the 6 months ended 31 August 2020

3. ACCOUNTING POLICIES (CONTINUED)

3.2 Application of IAS 29

The PAAB issued Pronouncement 01/2019 in October 2019 prescribing application of inflation accounting for reporting periods ended on or after 1 July 2019. The Group has applied the requirements of IAS 29 and is presenting inflation adjusted abridged consolidated financial statements as its primary interim financial information. Historical cost financial results have been presented as supplementary information.

The conversion factors used to restate the underlying historical numbers for the abridged consolidated financial statements for the six months ended 31 August 2020 and comparative periods are as follows:

	CPI Index	Conversion Factor
31 August 2020	2,123.97	1.0000
29 February 2020	640.16	3.3179
31 August 2019	246.68	8.6104

4. REVIEW CONCLUSION

The abridged consolidated financial statements have been reviewed by Deloitte & Touche in accordance with International Standards on Review Engagements (“ISRE”) 2410 ‘Review of Interim Financial Information Performed by the Independent Auditor of the Entity’, and a modified conclusion has been expressed thereon. An adverse review conclusion has been expressed with respect to the following matters;

1.

Unresolved Matters on the Financial Statements for the Year Ended 29 February 2020 that Impact the Comparability of the Current Period Figures and the Corresponding Prior Period Figures;
2.

Impact of Incorrect Date of Change of Functional Currency on the Current Period Restated Closing Values of Inventory, Share Capital, Share Premium and Revaluation Reserves, and the Deferred Tax Movement and Net Gain/Loss on Monetary Position for the Year; and
3.

Limitation on Scope Arising from a Forensic Audit on EcoCash (Private) Limited that Was Ongoing at the Time of Issuing Our Review Report.

An emphasis of matter paragraph has also been included in their report with respect to going concern.

The engagement partner responsible for the review conclusion is Tumai Mafunga, PAAB Practice Number 0442.

	INFLATION ADJUSTED		HISTORICAL*	
	Reviewed 31 August 2020 ZWL'000	Unreviewed 31 August 2019 ZWL'000	Unreviewed 31 August 2020 ZWL'000	Unreviewed 31 August 2019 ZWL'000

5 REVENUE

Revenue	5,623,408	8,583,660	3,541,925	665,671
Inter-segment revenue	(232,929)	(433,417)	(140,919)	(33,564)
Revenue from external customers	5,390,479	8,150,243	3,401,006	632,107

6 (LOSS) / EARNINGS PER SHARE

Weighted number of ordinary shares for the purposes of calculating basic, diluted and headline earnings per share (000)	2,590,577	2,590,577	2,590,577	2,590,577
Basic and diluted earnings per share (ZWL cents)	(61.75)	2.00	(64.22)	(418.00)
Headline earnings per share (ZWL cents)	(60.40)	2.00	(63.50)	(418.00)

Reconciliation of (loss) / profit used to calculate headline (loss) / earnings per share:				
(Loss) / profit for the period attributable to ordinary shareholders of the parent	(1,599,681)	56,424	(1,663,587)	(106,371)
Adjustment for capital items, gross of tax: Loss on disposal of property and equipment	34,854	3,984	18,600	2,225
Headline (loss) / earnings attributable to ordinary shareholders of the parent	(1,564,827)	60,408	(1,644,987)	(104,146)

7 COMMITMENTS FOR CAPITAL EXPENDITURE AT THE BEGINNING OF THE PERIOD

Authorised and contracted for	657,461	327,874	198,064	98,774
Authorised and not contracted for	3,281,106	63,132	988,453	19,019
Total commitments for capital expenditure	3,938,567	391,006	1,186,517	117,793

The capital expenditure is to be financed from internal cash generation, extended supplier credits and bank credit.

8. ASSET VALUE PER SHARE

	INFLATION ADJUSTED		HISTORICAL*	
	Reviewed 31 August 2020 ZWL'000	Audited 29 February 2020 ZWL'000	Unreviewed 31 August 2020 ZWL'000	Unaudited 29 February 2020 ZWL'000

Net asset value per share (ZWL cents)	107.65	169.15	(32.53)	23.84
Tangible net asset value per share (ZWL cents)	56.54	118.56	(43.76)	14.33

Net asset value as per abridged consolidated statement of financial position	2,788,799	4,381,934	(842,644)	617,487
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9. AMOUNTS OWED TO RELATED PARTY COMPANIES

	INFLATION ADJUSTED		HISTORICAL*	
	Reviewed 31 August 2020 ZWL'000	Audited 29 February 2020 ZWL'000	Unreviewed 31 August 2020 ZWL'000	Unaudited 29 February 2020 ZWL'000

Amounts owed to related party companies comprise of the following:				
Long-term payables	2,815,660	1,820,306	2,815,660	548,378
Inter-company trade payables	1,235,328	1,073,267	1,235,328	323,328
	4,050,988	2,893,572	4,050,988	871,706

In the financial year ending 29 February 2020, a reclassification of debentures was done following legal advice to classify them as a long term related party payable, in order to reflect reflect the substance of the transaction with EWZL. These debentures are presented as related party long-term payables and had previously been accounted for as part of the Group's third party borrowings.

The debentures were transferred to the Group on 1 November 2018, as per terms of the demerger from EWZL. The Group assumed 50% of the overall debentures that were held by EWZL prior to the demerger. These were 1,166,906,618 unsecured redeemable debentures with an annual compounding coupon rate of 5% which were issued at a subscription price of 4.665 US cents per debenture. The Group's participation in the settlement of 50% of the underlying liability on the debentures is now accounted for as a related party payable to EWZL with effect from 29 February 2020 so as to more reliably reflect the substance of the transaction.

Inter-company trade payables arise from the trading activities amongst the Group entities. Transactions are conducted at arms-length and outstanding balances are charged interest at 8% of the accrued balance.

Notes to the Abridged Consolidated Financial Statements (continued)

For the 6 months ended 31 August 2020

10. TRADE AND OTHER PAYABLES

	INFLATION ADJUSTED		HISTORICAL*	
	Reviewed 31 August 2020 ZWL'000	Audited 29 February 2020 ZWL'000	Unreviewed 31 August 2020 ZWL'000	Unaudited 29 February 2020 ZWL'000

Trade and other payables - short term	2,047,100	2,340,089	1,984,658	704,966
Accruals	1,086,654	1,223,361	1,086,572	368,545

Trade and other payables	3,133,754	3,563,451	3,071,230	1,073,511
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11. FINANCIAL INSTRUMENTS - MMT

“Financial instruments - short term-MMT” and “Other financial instruments - short term-MMT” represent restricted and reserved cash balances held in trust for EcoCash customers.

12. CONTINGENT LIABILITIES

Tax
The Group is regularly subject to an evaluation by tax authorities on its direct and indirect tax filings. The consequence of such reviews and pending matters is that disagreements can arise with tax authorities over the interpretation or application of certain tax rules applicable to the Group's business. Such disagreements may not necessarily be resolved in a manner that is favourable to the Group. The Group has pending matters with the tax authorities arising from the normal course of business and the resolution of the disputes and pending matters could result in an obligation to the Group. The Group cannot disclose the full details of these matters, as this could prejudice its position.

13. DIRECTORS FEES

The Group incurred the following in respect of directors fees

	INFLATION ADJUSTED		HISTORICAL*	
	Reviewed 31 August 2020 ZWL'000	Unreviewed 31 August 2019 ZWL'000	Unreviewed 31 August 2020 ZWL'000	Unreviewed 31 August 2019 ZWL'000

Directors fees	35,125	9,206	21,620	890
	35,125	9,206	21,620	890

14. FINANCIAL INSTRUMENTS

Financial instruments in the abridged consolidated statement of financial position include equity investments. The fair value of the equity investments is based on the published share prices listed on the Zimbabwe Stock Exchange.

Fair value hierarchy
The Group is guided by the following hierarchy as fair value measurement criteria for assets measured using the fair value model. The hierarchy levels 1 to 3 are based on the degree to which the fair value is observable:

- Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities
- Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly; and
- Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

There were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into or out of Level 3 fair value measurements during the reported periods. Amounts presented for 31 August 2020 reflect both inflation adjusted and historic figures, as they relate to monetary items as at the respective reporting date.

	Total ZWL '000	Level 1 ZWL '000	Level 2 ZWL '000	Level 3 ZWL '000
At 31 August 2020				
Investment in financial assets	308,775	308,775	-	-
	308,775	308,775	-	-

	INFLATION ADJUSTED			
	Total ZWL '000	Level 1 ZWL '000	Level 2 ZWL '000	Level 3 ZWL '000

At 29 February 2020				
Investment in financial assets	452,821	452,821	-	-
	452,821	452,821	-	-

	HISTORICAL*			
	Total ZWL '000	Level 1 ZWL '000	Level 2 ZWL '000	Level 3 ZWL '000

At 29 February 2020				
Investment in financial assets	136,415	136,415	-	-
	136,415	136,415	-	-

15. SIGNIFICANT EVENTS AND TRANSACTIONS

Forensic Audit
In July 2020, the Reserve Bank of Zimbabwe's Financial Intelligence Unit (“the FIU”) instituted a forensic investigation into the transactions being handled through all mobile money operators in Zimbabwe. The transactions and systems of the Group's mobile money operator, EcoCash, also fell within the scope of this investigation. The objective of the audit, as specified in the introductory letter was to investigate the integrity of the EcoCash system and assess compliance with the Money Laundering and Proceeds of Crime Act, National Payments System Act and any other banking laws of Zimbabwe. At the time of publishing this report, EcoCash was still cooperating with the appointed forensic auditors. Accordingly, the outcome of the investigation was not yet known. The business remains committed to conducting its business ethically and in compliance with all regulatory requirements and international standards of best practice.

16. GOING CONCERN

The Directors are mandated by IFRS and good governance to assess the ability of the Group to continue in operational existence into the foreseeable future at each reporting date. As at 31 August 2020, and subsequently as at the date of authorisation of the consolidated half year financial results, the Directors have assessed the ability of the Group to continue operating as a going concern and believe that the preparation of these consolidated financial statements on a going concern basis remains appropriate.

In guiding it's going concern assessments, the Group has given consideration to the following key internal and external matters that it has observed for the period 31 August 2020 through to the date of authorisation of the consolidated abridged half year financial results;

- i.

COVID-19 is expected to continue affecting businesses the world over, with second waves of infection being recorded in other countries.
- ii.

Business performance since 1 August 2020 has been largely in line with the forecasts for the Group as measured in US\$ terms.
- iii.

While the regulatory measures currently undertaken have had an impact on the operating model of the EcoCash business, the financial impact on the Group has not been material to affect the ability of EcoCash, nor the Group as a whole, to continue as a going concern.
- iv.

The exchange rate for the 6 months moved from US\$1 to ZWL17.99 at the beginning of the period to US\$1 to ZWL83.40 at 31 August 2020. This had the impact of increasing exchange losses on foreign payables (including the portion on debentures) resulting in operating losses for the period ended 31 August 2020. The Group is focusing on generating foreign currency through various initiatives in order to manage the risk arising from these foreign liabilities.

The going concern assessment has been extended for the 12 month period commencing from the date of approval of these consolidated abridged financial results for issue and incorporated all available information on the operating environment and future risks and uncertainties on which sensitivity analysis were also made. Based on this assessment, management believes that the Group will be able to continue as a going concern.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CASSAVA SMARTECH ZIMBABWE LIMITED

REPORT ON THE REVIEW OF THE INFLATION ADJUSTED ABRIDGED CONSOLIDATED FINANCIAL STATEMENTS

Introduction

We have reviewed the accompanying inflation adjusted abridged consolidated statement of financial position of Cassava Smartech Zimbabwe Limited and its subsidiaries ("the Group") as at 31 August 2020 and the related inflation adjusted abridged statements of profit or loss and other comprehensive income, changes in equity and cash flows for the 6 month period then ended, and the notes to the inflation adjusted abridged financial statements ("the interim financial information").

Management was responsible for the preparation and fair presentation of the interim financial information in accordance with International Accounting Standard ("IAS") 34 - Interim Financial Reporting and in the manner required by the Securities and Exchange (Zimbabwe Stock Exchange Listings Requirements) Rules 2019.

Our responsibility is to express a conclusion on the interim financial information based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410, 'Review of Interim Financial Information Performed by the Independent Auditor of the Entity'. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Basis for Adverse Conclusion

1. Unresolved Matters on the Financial Statements for the Year Ended 29 February 2020 that Impact the Comparability of the Current Period Figures and the Corresponding Prior Period Figures

The corresponding prior period figures for the comparative 6-month period ended 31 August 2019 formed part of the financial results that were reported in the Group's financial statements for the year ended 29 February 2020. An adverse audit opinion was issued in respect of the financial statements for the year ended 29 February 2020 as a result of the following matters;

- i. Inaccurate restated amounts of depreciation and revaluation surpluses for the year ended 29 February 2020 as a result of misstatements in the opening balances of property and equipment as at 1 March 2019; and
- ii. Impact of the use of an incorrect date of change in functional currency of 28 February 2019 on the restated values of inventory, share capital, share premium, revaluation reserves, and deferred tax movements and net gain/loss on monetary position for the 6 months ended 31 August 2019.

Members may refer to our report for the year ended 29 February 2020, which is publicly available on the Group and Zimbabwe Stock Exchange websites, for the full details on these matters.

The above 2 matters resulted in material misstatements to the reported financial performance, financial position and cash flows of the Group for the year ended 29 February 2020. Correspondingly these material misstatements also impact the financial results reported for the interim period of 6 months ended 31 August 2019. It was impracticable to quantify the effects.

**INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF CASSAVA SMARTECH ZIMBABWE LIMITED**

REPORT ON THE REVIEW OF THE INFLATION ADJUSTED ABRIDGED CONSOLIDATED FINANCIAL STATEMENTS

Basis for Adverse Conclusion (continued)

2. Impact of Incorrect Date of Change of Functional Currency on the Current Period Restated Closing Values of Inventory, Share Capital, Share Premium and Revaluation Reserves, and the Deferred Tax Movement and Net Gain/Loss on Monetary Position for the Year

The Directors chose 28 February 2019 as the date of change in functional currency for the Group's component entities. 1 March 2019 was therefore also used as the starting point for the Group's restatements of non-monetary items, rather than 1 November 2018 which is the date the Group came into existence.

Consequently, the restated closing values of inventory, share capital, share premium and revaluation reserves for the 6 months ended 31 August 2020, and the current period deferred tax movement are materially misstated. The net gain/loss on monetary position for the current period is also misstated in respect of the impact of these items. It is not practicable to quantify the effects, but their impact, when considered in aggregate with the other matters raised in our basis for adverse conclusion, is considered to be pervasive.

3. Limitation on Scope Arising from a Forensic Audit on EcoCash (Private) Limited that Was Ongoing at the Time of Issuing Our Review Report

On 3 July 2020, all mobile money operators in Zimbabwe were subjected to a forensic audit by the Financial Intelligence Unit of the Reserve Bank of Zimbabwe. The Group's subsidiary, EcoCash (Private) Limited ("EcoCash") was amongst the mobile money operators within the scope of the forensic audit. At the time of issuing our review report, we had not been able to obtain the results of the forensic audit as it was still ongoing. We have therefore been unable to determine the impact, if any, of the outcome of the forensic investigation on the interim financial information. We are unable to determine whether there are any material misstatements to the inflation adjusted abridged consolidated financial statements that may have been identified if the outcome of the forensic audit had been finalised and known by us at the time of issuing our auditor's report.

Adverse Conclusion

Our review indicates that because of;

- i. the significance of the matters described in items 1 and 2 of the Basis for Adverse Conclusion section; and
- ii. the possible significance and pervasiveness of adjustments to the interim financial information that we might have become aware of had it not been for the limitation on scope situation described in item 3 of the Basis for Adverse Conclusion section,

the accompanying interim financial information is not prepared, in all material respects, in accordance with IAS 34 - Interim Financial Reporting and in the manner required by the Securities and Exchange (Zimbabwe Stock Exchange Listings Requirements) Rules 2019.

Emphasis of Matter

We draw attention to the following matters in the abridged consolidated financial statements;

- The group has made a total comprehensive loss for the 6 months ended 31 August 2020 of ZWL 1.6 billion in inflation adjusted terms; and
- Management's Note 16 which discusses those events and conditions that may cast significant doubt on the Group's ability to continue as a going concern.

Our review conclusion is not modified in respect of these matters.

Deloitte & Touche

DELOITTE & TOUCHE

Per Tumai Mafunga

PAAB Practice Certificate No: 0442

Partner and Registered Auditor

Date: 30 November 2020