ECONET Wireless

ECONET WIRELESS ZIMBABWE LIMITED

(Incorporated in Zimbabwe on 4 August 1998 under Company registration number 7548/98)

ZSE alpha code: ECO ISIN: ZW 000 901 212 2

ECONET WIRELESS - 1940/PAGE 1

Audited Abridged Consolidated Financial Results

for the year ended 29 February 2020

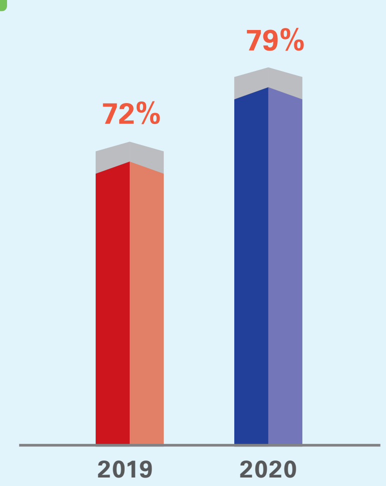
FINANCIAL HIGHLIGHTS

Subscribers

Increased by **10%** from 11.4 million to **12.6 million**

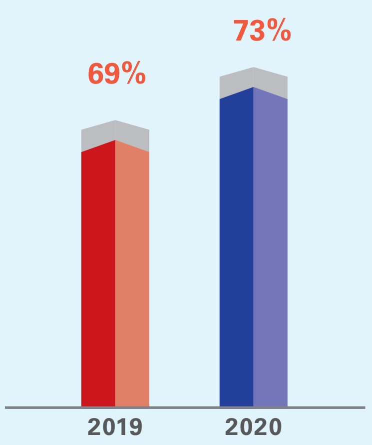
Market share (voice traffic)

Increased by **7% points**



Market share (data traffic)

Increased by **4% points**



Revenue (Inflation adjusted)

Increased by **31%** from ZW$5.2 billion to **ZW$6.8 billion**

EBITDA (Inflation adjusted)

Decreased by **4%** from ZW$2.8 billion to **ZW$2.7 billion**

WE CAN ALL FIGHT TOGETHER TO STOP THE SPREAD OF COVID-19

• Let's unite against the virus now!

WASH HANDS
Wash your hands with soap or a hand sanitiser.

SOCIAL DISTANCING
Keep a distance of around 2 meters away from others in public.

COVER A COUGH OR SNEEZE
Cover your cough or sneeze with your sleeves or tissue. Dispose the tissue and wash hands afterwards.

STAY AT HOME
Always stay home unless you have an important reason to leave the house.

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. Chimanikire, Dr. J. Chimhanzi*, Mr. M. Edge*, Mr. M. Gasela*, Mr. G. Gomwe*, Dr. 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.

Wireless

ECONET WIRELESS ZIMBABWE LIMITED

Audited Abridged Consolidated Financial Results

for the year ended 29 February 2020

CHAIRMAN'S STATEMENT

OVERVIEW

Globally, companies and individuals are demanding access to products and services using digital channels. Zimbabwe's high level of literacy means that it is a fast adopter of new technologies. Our business, built on strong foundations, continues to support the growing demand for digital services. Our business model is highly adaptable to the challenging operating conditions and also responsive to the changing needs of our customer base. We service approximately 60% of all the mobile customers and provide approximately 70% of all the mobile data capacity that is used in the country.

REGULATORY REVIEW

Smart phone penetration is at low 52%, compared to about 90% for South Africa, remains a limitation for the adoption of digital services. Kenya's penetration rate of mobile Internet users is at about 80%. Zimbabwe's internet penetration rate remains low as approximately 22% of the devices on our network trying to access data services are "feature" phones with low data handling capacity

We are working closely with the Government to review the duty regime for mobile devices to enhance the rapid adoption of digital services across the economy. According to the latest Postal and Telecommunications Regulatory Authority of Zimbabwe ("POTRAZ") report, for the second quarter of 2020, "…active internet and data subscriptions declined by 2.4% to reach 56.7% from 59.1% recorded in the previous quarter." According to the GSMA, "Governments and policymakers should implement policies to enhance access to connectivity and drive investment in more resilient digital infrastructure for the future. This is crucial to reactivating the region's economy…". We are optimistic that the Government, which also acknowledges the benefits of a digitised economy, will ensure that Zimbabweans are not left behind.

OPERATIONS REVIEW

The increasing digitalisation of the economy necessitates an increase in 4G/LTE infrastructure. Increased access to data services is necessary to support, among other critical imperatives, online education, health and business digitalisation initiatives. To date, we have a 3G population coverage of about 70% for data services across the country, and, inclusive of our 4G coverage, we now have 90% of the population covered by data-capable base stations, although based on the internet penetration rate, only 59% of the population have access to internet services. 4G/LTE is a technology that provides upload and download speeds that are up to 10 times faster than 3G. As we increase our 4G coverage, complemented by the increase in data capable devices, we are able to provide faster upload and download speeds so that our customers can enjoy high speed applications. Our efforts have been hampered, in the last financial year, by the lack of foreign currency to increase our capacity and coverage to desired levels. However, we remain committed to providing telecommunications to all the people of Zimbabwe, which is the premise the business was founded upon, over 20 years ago.

During the year under review, our service quality and network availability were significantly impacted by power disruptions. Our network, during the peak of load shedding required over 3 million litres of diesel to operate optimally. This is a cost inefficient way to power the network as 1 kW of diesel power is 3-times more expensive than 1 kW of solar power, limiting the number of base stations that could be operated in this manner. These service disruptions also affected mobile money services across the country as the disruptions are common to all networks. Our operational costs increased as we had to constantly service the generators and also run an extensive fleet of fuel refilling tankers to ensure that network availability remained at an acceptable standard. Our strategy to implement a clean energy network, driven by solar power is critical as we are cognisant of the power deficit that the country may continue to experience into the foreseeable future. Addressing this challenge will greatly reduce the demand for operational foreign currency, which is a critical national resource.

Although we have an extensive network of over 50 shops and franchisees across the country, for the convenience of our customers, our preferred customer service approach is to interface through digital channels and our self-care portals. One of the main drivers of traffic into our shops were sim-card replacements. Our customers will soon be able to have a sim replacement at any of our partner agencies in addition to our shops, allowing for more service channels to be opened up. We continue to enhance our service offerings to customers, as PIN and PUK resets can now be performed through our self-service portals. We are in the process of marketing these channels for enhanced service delivery to our customers.

Our business-in-box approach to call centre services now allows our call centre consultants to operate from anywhere where there is broadband connectivity. This has increased the capacity that we have in addressing the needs of our customers, whilst offering employment opportunities for the youth. These initiatives, among many others have helped us to reduce the ever-increasing costs of running our services whilst making it easier for customers to access our services.

FINANCIAL REVIEW

The report of the Directors' is based on the primary financial statements, being the inflation adjusted financial statements, having adopted IAS 29 ("Financial Reporting in Hyperinflationary Economies"), as recommended by the Public Accountants and Auditors Board ("PAAB"). In preparing the inflation adjusted results, the Group adopted the consumer price index (CPI) as published by the Zimbabwe Central Statistical Office. The Directors are however cognisant of the fact that certain distortions may arise due to divergent interpretation of specific economic factors that may affect the relevance and reliability of information that is presented in a hyperinflationary environment and the Directors caution users of the financial statements on the usefulness of these reported financial statements, in light of these distortions. These potential distortions are addressed in more detail in the Integrated Annual Report. The Auditors have expressed an adverse opinion on our financial statements for reasons that relate mainly to the manner in which the Zimbabwe Dollar was reintroduced which caused the legal environment to be incongruent with the financial reporting framework, International Financial Reporting Standards ("IFRS"). Following guidance from the PAAB, most entities reporting in Zimbabwe have not been able to release financial statements with unmodified audit reports.

The business experienced a 31% increase in revenue, in inflation-adjusted terms, to ZW$ 6.8 billion. Earnings before interest, taxation, depreciation and amortisation ("EBITDA") decreased by 4%, from the previous year, to ZW$ 2.7 billion, representing an EBITDA margin of 39% being maintained. The focus on operational efficiencies resulted in margin being maintained despite the pressures resulting from general price increases in the economy as well as the increase in network operational costs.

The Group's exposure in foreign currency denominated obligations resulted in exchange losses of ZW$ 6.1 billion. The Group continued to engage the Central Bank on the settlement of legacy debts at the prescribed rate of ZW$ 1 to US$ 1 in line with the blocked funds framework announced by the Central Bank. The Group has a positive net foreign currency exposure as a result of its investment in Liquid Telecommunications Holdings Limited, which is valued at US$ 135 million.

The business performed a professional revaluation of its property, plant and equipment for the year ended 29 February 2020 as the associated value in Zimbabwe Dollars was no longer meaningful due to inflation. Most of the Company's assets were procured in foreign currency. Our revaluation approach is explained in the notes to the detailed financial statements.

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 in order for the Company to comply with monetary authority policy and regulations. This may particularly impact local shareholders who participated in the rights offer using onshore dollars whose counterpart offshore dollars were provided by the Rights Offer Underwriter.

SUSTAINABILITY

Our sustainability initiatives remain focused on the environment, ethical and business conduct, national health delivery systems capacitation, leadership and lifelong development, job creation and sustainable livelihoods. The multi-faceted approach to human capital development benefited over 780 students enrolled in technical and vocational colleges for skills development in fields encompassing; bricklaying, poultry farming and carpentry. Over 385 mentees were involved in leadership training sessions, demonstrating our commitment to the next generation through scholarships and mentorship.

OUTLOOK

Our people are well trained and have extensive experience in managing technological transitions that have taken place in the telecommunications industry over time. Although investments in our platforms have been limited, we believe that the plans and initiatives we have for the future will result in an enhancement of the capacity and capabilities of our systems.

DIVIDEND DECLARATION

The Board has decided not to declare a dividend for the year.

APPRECIATION

On behalf of the Board, I extend my appreciation to our customers, whose support we truly cherish. I would also like to appreciate our staff, whose ideas and dedication is quite exceptional. My sincere appreciation also extends to our customers, business partners, suppliers, regulators and all stakeholders for the immense support which has sustained the business to this date. The continued unity of purpose and wise counsel from the Board members remains invaluable and sincerely appreciated.

We are grateful to Government for the opportunity to engage on issues of policy formulation and implementation. We are committed to the growth and development of a prosperous Zimbabwe.

Dr. J. Myers
Chairman on the Board

30 October 2020

TIP-OFFS ANONYMOUS
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ECONET Wireless

ECONET WIRELESS ZIMBABWE LIMITED - AUDITED ABRIDGED FINANCIAL RESULTS FOR THE YEAR ENDED 29 FEBRUARY 2020

Abridged consolidated statement of profit or loss and other comprehensive income

For the year ended 29 February 2020

		Audited Inflation adjusted		Audited Historic	
(All figures in ZW$ 000)	Note	2020	2019 Restated[1]	2020	2019 Restated[1]
REVENUE		**6,768,246**	**7,276,829**	**3,478,528**	**1,136,720**
Demerged operations		**-**	**2,099,593**	**-**	**327,979**
Continuing operations		**6,768,246**	**5,177,236**	**3,478,528**	**808,741**
Continuing operations					
Earnings before interest, taxation, depreciation and amortisation		2,576,979	2,847,611	1,587,041	444,828
Depreciation, amortisation and impairment		(1,450,926)	(1,116,157)	(705,345)	(174,356)
Profit from operations		**1,126,053**	**1,731,454**	**881,696**	**270,472**
Monetary adjustment		4,169,405	-	-	-
Net exchange losses		(6,127,083)	(1,445,801)	(1,943,131)	(225,850)
Finance income		84,769	12,579	41,946	1,965
Finance costs		(213,586)	(14,532)	(90,703)	(2,270)
(Loss) / profit before tax		**(960,442)**	**283,700**	**(1,110,192)**	**44,317**
Income tax (expense) / credit		(392,524)	(210,958)	110,271	(32,954)
(Loss) / profit for the year from continuing operations		**(1,352,966)**	**72,742**	**(999,921)**	**11,363**
Profit for the year from demerged operations		**-**	**608,120**	**-**	**94,995**
(Loss) / profit for the year		**(1,352,966)**	**680,862**	**(999,921)**	**106,358**
Other comprehensive income					
Fair value gain on investments at FVTOCI, net of tax		263,036	1,295,729	2,090,451	202,407
Gain on property revaluation, net of tax		1,762,187	4,040,804	6,840,248	631,218
Share of other comprehensive income of associate		81,841	-	148,341	-
Total other comprehensive income for the year		**2,107,064**	**5,336,533**	**9,079,040**	**833,625**
(Loss) / profit for the year attributable to:					
Equity holders of the parent		(1,408,296)	697,954	(989,850)	109,028
Non-controlling interest		55,330	(17,092)	(10,071)	(2,670)
(Loss) / profit for the year		**(1,352,966)**	**680,862**	**(999,921)**	**106,358**
Total comprehensive income for the year attributable to:					
Equity holders of the parent		643,487	5,996,276	8,002,072	936,684
Non-controlling interest		110,611	21,119	77,047	3,299
Total comprehensive income for the year		**754,098**	**6,017,395**	**8,079,119**	**939,983**
Earnings per share					
Basic and diluted earnings per share (cents)	7	(56.3)	28.0	(40.00)	4.3
Headline earnings per share (cents)		(56.3)	28.0	(40.00)	4.3
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		2,502,151,196	2,522,894,240	2,502,151,196	2,522,894,240

[1] Refer to Note 13 for more detail on the restatement.

Abridged consolidated statement of financial position

As at 29 February 2020

		Audited Inflation adjusted		Audited Historic	
(All figures in ZW$ 000)	Note	2020	2019 Restated[1]	2020	2019 Restated[1]
Assets					
Property, plant and equipment and intangible assets		9,714,225	8,294,470	9,690,986	1,295,687
Other non-current assets		630,630	310,798	244,150	48,550
Deferred tax		410,104	617,588	410,104	96,474
Financial instruments - long-term		2,984,642	2,779,657	2,984,642	434,213
Financial instruments - short-term		1,239,544	3,739,360	1,239,544	584,129
Other current assets		691,720	70,092	546,732	10,949
Total assets		**15,670,865**	**15,811,965**	**15,116,158**	**2,470,002**
Equity and liabilities					
Equity					
Share capital and share premium		616,929	616,929	96,371	96,371
Retained earnings / (losses)		7,209,179	3,769,659	(462,297)	588,862
Other reserves		2,086,819	5,044,941	9,779,997	788,075
Attributable to equity holders of the parent		9,912,927	9,431,529	9,414,071	1,473,308
Non-controlling interest		83,193	(27,418)	72,764	(4,283)
Total equity		**9,996,120**	**9,404,111**	**9,486,835**	**1,469,025**
Liabilities					
Deferred tax		1,845,810	1,893,676	1,838,486	295,813
Other non-current liabilities		55,672	106,356	55,672	16,614
Financial instruments					
- Long-term interest-bearing debt	8	1,410,324	923,942	1,410,324	144,330
- Short-term interest-bearing debt		8,335	16,862	8,335	2,634
- Other financial instruments - short-term		1,970,224	3,175,611	1,970,224	496,065
Other current liabilities		384,380	291,407	346,282	45,521
Total liabilities		**5,674,745**	**6,407,854**	**5,629,323**	**1,000,977**
Total equity and liabilities		**15,670,865**	**15,811,965**	**15,116,158**	**2,470,002**

[1] Refer to Note 13 for more detail on the restatement.

Consolidated statement of changes in equity

For the year ended 29 February 2020

	Inflation adjusted					
(All figures in ZW$ 000)	Share capital and share premium	Retained earnings	Other reserves	Attributable to equity holders of the parent	Non-controlling interest	Total
Balance at 1 March 2018	**616,929**	**4,235,836**	**56,732**	**4,909,497**	**(31,515)**	**4,877,982**
Changes on initial application of IFRS 9	-	(19,429)	(21,695)	**(41,124)**	-	**(41,124)**
Profit / (loss) for the year	-	697,954	-	**697,954**	(17,092)	**680,862**
Purchase of treasury shares	-	(302,732)	-	**(302,732)**	-	**(302,732)**
Issue of share capital and share premium	-	-	-	**-**	70	**70**
Recognition of share based payments	-	-	351,768	**351,768**	-	**351,768**
Vesting of share based payments	-	351,768	(351,768)	**-**	-	**-**
Gain on revaluation of property, net of tax	-	-	4,002,593	**4,002,593**	38,211	**4,040,804**
Fair value gain on investments at FVTOCI, net of tax	-	-	1,295,729	**1,295,729**	-	**1,295,729**
Effect of unbundling of subsidiaries	-	(808,618)	(288,418)	**(1,097,036)**	(17,092)	**(1,114,128)**
Dividends paid	-	(385,120)	-	**(385,120)**	-	**(385,120)**
Balance at 28 February 2019	**616,929**	**3,769,659**	**5,044,941**	**9,431,529**	**(27,418)**	**9,404,111**

Consolidated statement of changes in equity (continued)

For the year ended 29 February 2020

	Inflation adjusted (continued)					
(All figures in ZW$ 000)	Share capital and share premium	Retained earnings	Other reserves	Attributable to equity holders of the parent	Non-controlling interest	Total
IAS 29 reclassification	-	5,009,905	(5,009,905)	**-**	-	**-**
(Loss) / profit for the year	-	(1,408,296)	-	**(1,408,296)**	55,330	**(1,352,966)**
Purchase of treasury shares	-	(162,089)	-	**(162,089)**	-	**(162,089)**
Gain on revaluation of property, net of tax	-	-	1,706,906	**1,706,906**	55,281	**1,762,187**
Share of other comprehensive income of associate	-	-	81,841	**81,841**	-	**81,841**
Fair value gain on investments at FVTOCI, net of tax	-	-	263,036	**263,036**	-	**263,036**
Balance at 29 February 2020	**616,929**	**7,209,179**	**2,086,819**	**9,912,927**	**83,193**	**9,996,120**

	Historic					
(All figures in ZW$ 000)	Share capital and share premium	Retained earnings	Other reserves	Attributable to equity holders of the parent	Non-controlling interest	Total
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 / (loss) for the year	-	109,028	-	**109,028**	(2,670)	**106,358**
Purchase of treasury shares	-	(47,290)	-	**(47,290)**	-	**(47,290)**
Issue of share capital and share premium	-	-	-	**-**	11	**11**
Recognition of share based payments	-		54,950	**54,950**	-	**54,950**
Vesting of share based payments	-	54,950	(54,950)	**-**		**-**
Gain on revaluation of property, net of tax	-		625,249	**625,249**	5,969	**631,218**
Fair value gain on investments at FVTOCI	-		202,407	**202,407**	-	**202,407**
Effect of unbundling of subsidiaries	-	(126,315)	(45,054)	**(171,369)**	(2,670)	**(174,039)**
Dividends paid	-	(60,160)	-	**(60,160)**	-	**(60,160)**
Balance at 28 February 2019	**96,371**	**588,862**	**788,075**	**1,473,308**	**(4,283)**	**1,469,025**
Loss for the year	-	(989,850)	-	**(989,850)**	(10,071)	**(999,921)**
Purchase of treasury shares	-	(61,309)	-	**(61,309)**	-	**(61,309)**
Gain on revaluation of property, net of tax	-	-	6,753,130	**6,753,130**	87,118	**6,840,248**
Share of other comprehensive income of associate	-	-	148,341	**148,341**	-	**148,341**
Fair value gain on investments at FVTOCI, net of tax	-	-	2,090,451	**2,090,451**	-	**2,090,451**
Balance at 29 February 2020	**96,371**	**(462,297)**	**9,779,997**	**9,414,071**	**72,764**	**9,486,835**

Abridged consolidated statement of cash flows

For the year ended 29 February 2020

	Audited Inflation adjusted		Audited Historic	
(All figures in ZW$ 000)	2020	2019	2020	2019
Cash generated from operations	**260,685**	**3,763,987**	**823,173**	**587,976**
Income taxes paid	(754,583)	(831,811)	(153,821)	(129,938)
Net cash (used in) / generated from operations	**(493,898)**	**2,932,176**	**669,352**	**458,038**
Investing activities				
Acquisition of property, plant and equipment and intangible assets	(113,923)	(314,351)	(110,659)	(49,105)
Net cash outflow on unbundling of subsidiaries	-	(1,706,135)	-	(266,517)
Net acquisition of other investments	(198,247)	(1,236,911)	(71,975)	(193,219)
Net cash used in investing activities	**(312,170)**	**(3,257,397)**	**(182,634)**	**(508,841)**
Cash flows from financing activities				
Net proceeds from / (repayment of) short-term borrowings	8,368	(6,677)	5,075	(1,043)
Share buy-back	(162,089)	(302,732)	(61,309)	(47,290)
Finance costs paid	(79,192)	(5,678)	(47,491)	(887)
Repayment of right-of-use asset lease liabilities	(41,878)	-	(23,137)	-
Dividend paid	-	(385,120)	-	(60,160)
Increase in deposits due to banks and customers	-	491,080	-	76,712
Net cash flows used in financing activities	**(274,791)**	**(209,127)**	**(126,862)**	**(32,668)**
Net increase in cash and cash equivalents	(1,080,859)	(534,348)	359,856	(83,471)
Cash and cash equivalents at beginning of year	1,707,435	2,241,783	266,720	350,191
Cash and cash equivalents at end of year	**626,576**	**1,707,435**	**626,576**	**266,720**
Comprising:				
Short-term investments	52,905	76,775	52,905	11,993
Non-restricted cash and cash equivalents	573,671	1,630,660	573,671	254,727
Cash and cash equivalents at end of year	**626,576**	**1,707,435**	**626,576**	**266,720**

IAS 29 discourages the publication of historical results as the inflation adjusted results are the primary financial results. However, the historical cost results are included as supplementary information to allow for comparability during the transitional phase of applying the standard and to meet most user requirements. As a result, the auditors have not expressed an opinion on this historical information.

Summarised segment information

	Inflation adjusted							
	29 February 2020				28 February 2019			
(All figures in ZW$ 000)	Cellular network operations	Other segments	Net eliminations	Total	Cellular network operations	Other segments	Net eliminations	Total
Revenue and net interest income (from external customers)	6,698,942	69,304	-	**6,768,246**	5,087,281	89,955	-	**5,177,236**
Depreciation, amortisation and impairment	(1,431,712)	(19,214)	-	**(1,450,926)**	(1,085,410)	(30,747)	-	**(1,116,157)**
Segment (loss) / profit	(1,686,860)	328,410	5,484	**(1,352,966)**	(254,195)	467,259	(140,323)	**72,741**
Segment assets	12,115,446	3,954,121	(398,702)	**15,670,865**	12,896,062	3,579,704	(663,801)	**15,811,965**
Segment liabilities	(4,487,681)	(1,451,545)	264,481	**(5,674,745)**	(5,467,568)	(1,855,523)	915,237	**(6,407,854)**

	Historic							
	29 February 2020				28 February 2019			
(All figures in ZW$ 000)	Cellular network operations	Other segments	Net eliminations	Total	Cellular network operations	Other segments	Net eliminations	Total
Revenue and net interest income (from external customers)	3,442,505	36,023	-	**3,478,528**	794,689	14,052	-	**808,741**
Depreciation, amortisation and impairment	(699,827)	(5,518)	-	**(705,345)**	(169,553)	(4,803)	-	**(174,356)**
Segment (loss) / profit	(466,521)	(538,884)	5,484	**(999,921)**	(39,708)	72,991	(21,920)	**11,363**
Segment assets	11,786,376	3,615,230	(285,448)	**15,116,158**	2,014,506	559,189	(103,693)	**2,470,002**
Segment liabilities	(4,443445)	(1,450,359)	264,481	**(5,629,323)**	(854,094)	(289,853)	142,970	**(1,000,977)**

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

Directors: Dr. J. Myers (Chairman)*, Mr. S.T. Masiyiwa, Mr. R. Chimanikire, Dr. J. Chimhanzi*, Mr. M. Edge*, Mr. M. Gasela*, Mr. G. Gomwe*, Dr. 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.

ECONET
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ECONET WIRELESS ZIMBABWE LIMITED - AUDITED ABRIDGED FINANCIAL RESULTS FOR THE YEAR ENDED 29 FEBRUARY 2020

Notes to the abridged consolidated financial results

For the year ended 29 February 2020

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). While full compliance with IFRS; International Accounting Standards (IAS); and the IFRIC interpretations was achieved in previous reporting periods, partial compliance was achieved for the year ended 28 February 2019 as a result of non-compliance with IAS 21 *The Effects of Changes in Foreign Exchange Rates*. The prior year non-compliance with IAS 21 impacts current year opening balances.

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

Pursuant to the recognition of the Zimbabwe dollar / RTGS dollar as currency in Zimbabwe in February 2019 and as reported in the consolidated 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 of 2019 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 of 2019 and adopted in preparing the prior year consolidated financial statements to comply with statutory requirements were contrary to the provisions of IAS 21. Consequently, the accounting treatment adopted for the comparative consolidated financial statements 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 opening balances and comparative information, the Directors advise users of these results to exercise due caution.

The abridged consolidated financial results do not include all the information and disclosures required to fully comply with IFRS and should be read in conjunction with the Group's financial statements for the year ended 29 February 2020 which are available at the Company's registered office

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* with effect from 1 March 2019 in preparing these results as more fully explained in Note 3.1. IFRS 16 *Leases* 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 on 1 March 2019 are disclosed in Note 3.2.

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

3.1 Application of IAS 29 *Financial Reporting in Hyperinflationary Economies*

The PAAB issued a pronouncement in October 2019 prescribing application of inflation accounting for reporting periods ended on or after 1 July 2019. The pronouncement was issued pursuant to a broad market consensus within the accounting and auditing professions that the Zimbabwe economy had met the characteristics of a hyperinflationary economy.

Consequently, the consolidated financial statements from where these abridged financial results are extracted were 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. Inflation adjusted financial statements represent the primary financial statements of the Group. Historical cost financial results have been presented as supplementary information. In order to account for the rapid loss in the 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. The conversion factors used to restate the consolidated financial statements for the year ended 29 February 2020 are as follows;

	CPI	Conversion factor
28 February 2019	100	6.4016
29 February 2020	640.16	1

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 recognised. 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.

3.2 Adoption of IFRS 16 *Leases*

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 the current year results.

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;

	1 March 2019	
(All figures in ZW$ 000)	Inflation adjusted	Historic
Right-of-use assets recognised	336 728	336 728
Lease liabilities recognised	336 728	336 728

The Group recognised in profit or loss depreciated charges on right-of-use assets of ZW$ 34.5 million and interest costs of ZW$ 46.9 million on lease liabilities.

4. Demerged operations

As reported in the consolidated financial statements for prior year, 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 results of the demerged operations, which were included in the prior year results are as follows:

	28 February 2019	
(All figures in ZW$ 000)	Inflation adjusted	Historic
Revenue	2 099 590	327 979
Operating expenses	(1 293 648)	(202 082)
Profit before tax	805 942	125 897
Income tax expense	(197 822)	(30 902)
Net profit from demerged operations	**608 120**	**94 995**

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

	Inflation adjusted		Historic	
(All figures in ZW$ 000)	**29 February 2020**	28 February 2019	**29 February 2020**	28 February 2019
Charge for the year	1 369 700	1 116 157	624 761	174 356

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 hyperinflationary environment.

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$ 94.2 million.

Notes to the abridged consolidated financial results (continued)

For the year ended 29 February 2020

6. Commitments for capital expenditure

	Inflation adjusted		Historic	
(All figures in ZW$ 000)	**29 February 2020**	28 February 2019	**29 February 2020**	28 February 2019
Authorised and contracted for	124 797	334 496	124 797	52 252
Authorised and not contracted for	3 497	137 590	3 497	21 493
	128 294	**472 086**	**128 294**	**73 745**

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

7. Earnings per share

	Inflation adjusted		Historic	
	29 February 2020	28 February 2019	**29 February 2020**	28 February 2019
(Loss) / profit for the year attributable to equity holders of the parent (ZW$ 000)	(1 408 296)	697 953	(989 850)	109 028
Weighted average number of ordinary shares for the purposes of basic and diluted earnings per share calculation ('000)	2 502 151	2 522 894	2 502 151	2 522 894
Basic and diluted earnings per share (ZW$ cents)	(56.3)	28.0	(40.0)	4.3

8. Long-term interest-bearing debt

Long-term 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 at a price of 6.252 US cents per debenture. At the discretion of the Board, the Company may redeem the debentures before expiry at a price determined by adding to the subscription price the cumulative interest calculated at a coupon rate of 5% per annum compounded annually up to the date of redemption.

9. Contingent liabilities

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

10. Events after the reporting date

Devaluation of the Zimbabwe dollar

At year end, 29 February 2020, the exchange rate was US$ 1 to ZW$ 17.95. The consolidated financial statements were authorised for issue on 30 October 2020 when the exchange rate had depreciated to US$ 1 to ZW$ 81.35. The subsequent depreciation of the exchange rate increases the impact of exchange losses arising from obligations denominated in foreign currencies recognised in profit or loss.

The depreciation also increases the carrying value of a foreign investment in Liquid Telecoms Holdings on which the related exchange gains are recognised in other comprehensive income.

Covid-19 outbreak

The outbreak of Covid-19 (coronavirus) which was declared by the World Health Organization (WHO) a pandemic in March 2020 has had far reaching implications on the global economy. The Government declared the pandemic a national disaster in March 2020 and implemented emergency measures to curb the spread of the virus. The measures which are yet to be fully revoked included closure of borders and non-essential services businesses.

The Group implemented wide ranging business continuity initiatives to minimise disruption to operations and service delivery. The telecommunications sector was declared an essential service allowing the business to continue offering services to the general populace.

The Directors continue to evaluate the potential short-term and long-term implications of the pandemic on the business, remodel business processes, align operating costs to revenue and preserve shareholder value. However, implications of the pandemic on the broader economic scale continue to unravel and as a result, the Directors are unable to reasonably quantify the related impact on the Group in the foreseeable future.

11. Going concern

The prevailing macro-economic conditions within the country's economy have negatively affected the business operating environment. The adverse conditions, which include; shortages of foreign currency; continued weakening of the local currency and price instability will continue to have a bearing on the performance of the business.

The Group incurred exchange losses of ZW$ 6.1 billion resulting in a loss after tax of ZW$ 1.4 billion. The Group's negative working capital position of ZW$ 446.3 million is also attributed to unrealised exchange losses on foreign currency denominated payables. The Group lodged with the Reserve Bank of Zimbabwe (RBZ) foreign obligations (legacy debts / blocked funds) accrued at 22 February 2019 in line with Directives RU102/2019 and RU28/2019.

The Directors and management are continuously monitoring and evaluating the operating environment to re-assess and appropriately adapt its strategies to ensure the continued operation of the Group into the foreseeable future. Some of the key strategies include;

- Pursue the registration and settlement of the legacy debt on a 1 to 1 basis by the RBZ;
- Regular engagement of vendors to; continue offering services and support related to key business operations; negotiating for settlement in local currency; and restructure payment terms without significantly varying the initially agreed credit terms; and
- Continue to engage the regulator, Postal and Telecommunications Regulatory Authority of Zimbabwe (POTRAZ) to align the telecoms industry cost structure, including exposure to foreign exchange losses, with tariffs. Subsequent to year end, the regulator granted permission to mobile operators to determine Zimbabwe dollar tariffs as a function of base preapproved United States dollar tariffs and auction based interbank rates monitored and reviewed on an ongoing basis by the authority. This has narrowed the gap between current tariffs and industry optimal tariffs which has started to generate increased capacity to settle foreign obligations.

Furthermore, the Group's statement of financial position exposure in foreign currency denominated obligations which give rise to exchange losses is mitigated by an equity instrument held by the Company in Liquid Telecommunications Holdings amounting to US$ 135 million. Gains and related adjustments on the foreign investment which are recognised in other comprehensive income are largely sufficient to offset the exchange losses on the foreign obligations recognised in profit or loss.

In the unlikely event that the Directors and management fail to meet the foreign obligations after implementing the above mentioned strategies, this investment is available for the Group to generate additional foreign currency to settle foreign obligations.

The Directors have reviewed the Group's budgets and cash flow forecasts for the period to 31 October 2021 and, in light of this review and the current financial position, are satisfied that the Group has access to adequate resources to continue in operational existence for the foreseeable future.

12. Audit opinion

These abridged audited financial results should be read in conjunction with the complete set of financial statements for the year ended 29 February 2020, which have been audited by Deloitte & Touche, who have issued an adverse opinion thereon in respect of:

- The impact of the incorrect application of IAS 21 "*The Effects of Changes in Foreign Exchange Rates*";
- The impact of the incorrect application of IAS 29 "*Financial Reporting in Hyperinflationary Economies*";
- The impact of the prior year qualification on the valuation of property and equipment and intangible assets; and
- Valuation of investment in associates related to Cassava Smartech Zimbabwe Limited.

The following issues were emphasised in the audit report:

- Volatility of exchange rates subsequent to year end; and

In addition to the above matters, the auditor's opinion contains key audit matters relating to (i) Related party balances and transactions; ii) Revenue recognition; iii) Adoption of IFRS 16; and iv) Management's use of the going concern assumption in the preparation of the annual consolidated financial statements.

The auditor's report is available for inspection at the Econet Wireless Zimbabwe Limited's registered offices.

The engagement partner responsible for the audit was Mr Tumai Mafunga.

13. Correction of prior period error in accounting for debentures

On the unbundling of Cassava in prior year, management transferred 50% of the debentures held by the Group to Cassava on the basis of a binding commitment by Cassava to settle the transferred debentures without recourse from the Group.

However, following the conclusion in current year of extensive legal consultations on the legal form and transferability of the debentures; the Directors concluded that it is more appropriate to treat and account for the commitment by Cassava to settle 50% of the debentures as a receivable and recognise in full the carrying amount of the debentures. The commitment by Cassava to settle the debentures should have been in prior year accounted for and disclosed separately as a receivable instead of derecognising 50% of the debentures.

The correction will provide clearer disclosure of the legal form of the debentures in context of the Group and Cassava being separate legal entities.

The prior year treatment has been corrected by restating each of the affected financial statement line items for prior year as follows:

	Inflation adjusted			Historic		
(All figures in ZW$ 000)	As previously presented 2019	Increase	**Restated 2019**	As previously presented 2019	Increase	**Restated 2019**
Statement of financial position						
Assets						
Financial instruments - long-term (receivables)	2 317 686	461 971	2 779 657	362 048	72 165	434 213
Liabilities						
Long-term interest-bearing debt	461 971	461 971	923 942	72 165	72 165	144 330
Statement of profit or loss						
Finance income	9 154	3 425	12 579	1 430	535	1 965
Finance costs	(11 107)	(3 425)	(14 532)	(1 735)	(535)	(2 270)

This correction has no impact on the net asset position, profit for the year and earnings per share.

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

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INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDERS OF ECONET WIRELESS ZIMBABWE LIMITED

Adverse Opinion

We have audited the consolidated financial statements of Econet Wireless Zimbabwe Limited as set out on pages 10 to 89 which comprise the statement of financial position as at 29 February 2020, and the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and the notes to the financial statements, including a summary of significant accounting policies.

In our opinion, because of the significance of the matters discussed in the Basis for Adverse Opinion section of our report, the financial statements do not present fairly, the statement of financial position of Econet Wireless Zimbabwe Limited as at 29 February 2020, its financial performance, its statement of changes in equity and its statement of cash flows for the year then ended in accordance with International Financial Reporting Standards and in the manner required by the Companies Act (Chapter 24:03).

Basis for Adverse Opinion

1. Impact of prior year qualifications on the current and prior period financial statements

1.1 <u>Impact of the incorrect date of application of International Accounting Standard 21 - The Effects of Changes in Foreign Exchange Rates ("IAS21") on the comparative financial information</u>

As disclosed in Note 2 of the inflation adjusted consolidated financial statements, the Group did not comply with IAS 21 in the prior financial year, as it elected to comply with Statutory Instrument 33 of 2019 ("SI 33/19") only from 22 February 2019. Had the Group applied the requirements of IAS 21 from 1 October 2018, many of the elements of the prior year inflation adjusted consolidated, which are presented as comparative information, as well as the opening consolidated retained income for the current financial year would have been materially impacted. Therefore, the departure from the requirements of IAS 21 was considered to be pervasive in the prior year. The financial effects of this departure on the inflation adjusted consolidated financial statements have not been determined.

Our opinion on the current year's inflation adjusted consolidated financial statements is modified because of the possible effects of this matter on the comparability with the current year's inflation adjusted consolidated financial statements with that of the prior year.

1.2 <u>Impact of incorrect date of application of International Accounting Standard (IAS) 29 "Financial Reporting in Hyperinflationary Economies</u>

During the year, the factors and characteristics to apply IAS 29 "Financial Reporting in Hyperinflationary Economies" were met in Zimbabwe. As a result, the Public Accountants and Auditors Board (PAAB) pronounced that entities reporting in Zimbabwe were required to apply the requirements of IAS 29 with effect from 1 July 2019.

The Directors applied the requirements of IAS 29 from the date of change in functional currency adopted of 22 February 2019. However, in accordance with IAS 21 the date of change in functional currency should be 1 October 2018. Consequently, the changes in the general pricing power of the functional currency should apply from 1 October 2018.

INDEPENDENT AUDITOR'S REPORT (continued)
TO THE SHAREHOLDERS OF ECONET WIRELESS ZIMBABWE LIMITED

Basis for Adverse Opinion (continued)

1. Impact of prior year qualifications on the current and prior period financial statements (continued)

1.2 <u>Impact of incorrect date of application of International Accounting Standard (IAS) 29 "Financial Reporting in Hyperinflationary Economies (continued)</u>

Had the Group applied the requirements of IAS 29, the following elements of the financial statements would have been materially impacted:

- Inflation adjusted consolidated financial statements for the comparative period;
- Inventory (including work in progress), deferred revenue, share capital, share premium and deferred taxation in the inflation adjusted consolidated statement of financial position as at 29 February 2020;
- Deferred tax movement, cost of sales and net monetary adjustment in the inflation adjusted consolidated statement of profit or loss and other comprehensive income for the current year.

We are unable to determine the financial effects of this departure on the inflation adjusted consolidated financial statements.

1.3 <u>Impact of prior year qualification on property and equipment and intangible assets</u>

As disclosed in Note 7 to the financial statements, the Property, Plant and Equipment values for the year ended 28 February 2019 were based on what the Directors believe was the best estimate of the value of the assets in use as at 1 September 2018 without the use of independent experts. The valuation was done by the Directors taking into account the value of RTGS that would have been paid out as at 1 September 2018 using management's understanding of the market and purchasing parity that existed at that point between the different modes of payment. We were unable to assess whether the approaches they used are consistent with IFRS and industry norms for similar assets in a similar environment. Consequently we were unable to determine the reasonability of assumptions applied in determining the valuation of Property, Plant and Equipment given the specific nature of the Company's assets in the prevailing environment as at 28 February 2019. Our audit opinion for the consolidated financial statements for the year ended 28 February 2019 was modified accordingly.

The impact of the adjustments that would have been necessary had the Directors chosen a different valuation approach have not been determined.

Consequently, because of the material misstatement arising from the foregoing matter, there has been a resultant effect in the current year, which has resulted in the hyperinflation restatements required by IAS 29 on the following items being inaccurate:

- depreciation and amortisation expenses recognised in the current year in respect of items of property and equipment values brought forward from the prior year;
- revaluation gains recognised in other comprehensive income in the current year for the revaluation of property and equipment brought forward from the prior year; and
- deferred tax recognised on property, plant and equipment brought forward from the prior year and the current year deferred tax impact on depreciation expense.

Inflation adjusted depreciation and amortisation expenses, revaluation gains on property and equipment for the current year and deferred taxation are therefore materially misstated. It is not practicable to quantify the effects, but their impact is considered to be pervasive.

INDEPENDENT AUDITOR'S REPORT (continued)
TO THE SHAREHOLDERS OF ECONET WIRELESS ZIMBABWE LIMITED

Basis for Adverse Opinion (continued)

2. Investment in associate - Cassava Smartech Zimbabwe Limited.

The Group has a 21% investment in Cassava Smartech Zimbabwe Limited ("Cassava") which is classified as an investment is associate which is accounted for using the equity method and is disclosed in note 17.3

As described in note 17.3, there has been a delay in the publication of Cassava 's audited financial statements. All mobile money operators in Zimbabwe are currently subject to a forensic audit by instituted by the Reserve Bank of Zimbabwe. Cassava's subsidiary, EcoCash (Private) Limited ("EcoCash") was determined to be within the scope of a forensic audit. The investigation was still ongoing at the time of issuing our Auditor's Report. Consequently the financial information related to Cassava included in the Econet Wireless Zimbabwe Limited Financial statements are unaudited.

We were therefore unable to determine whether any additional adjustments would be required in respect of the recorded share of profits from associate recorded in the inflation adjusted statement of profit and loss and the carrying amount of this investment disclosed in inflation adjusted statement of financial position.

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statement section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA) Code together with the ethical requirements that are relevant to our audit of the financial statement in Zimbabwe. We have fulfilled our ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our adverse opinion.

Emphasis of matter

Without further qualifying our opinion, we draw attention to the following notes to the inflation adjusted consolidated financial statements:

Note 40 of the inflation adjusted consolidated financial statements which indicates significant movements in exchange rates that occurred post year-end and the consequent impact on the Group's operations.

INDEPENDENT AUDITOR'S REPORT (continued)
TO THE SHAREHOLDERS OF ECONET WIRELESS ZIMBABWE LIMITED

Key audit matters

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

Key audit matter	How our audit addressed the key audit matter
Related party transactions and balances (Group)	
The entity contracts certain services from related parties. Each related party operates under different jurisdictions and applies its own pricing model to be compliant with the respective legal framework of the jurisdiction. Due to the significance and volumes of transactions with related parties, related party transactions were identified as a key audit matter.	In addressing this matter we performed the following procedures: - We tested the design and implementation of controls over the recognition, recording and approval of related party transactions; - Compared the listing of prior year related parties with current year listing of related parties; - Enquired of the Directors and management of the existence of new related parties. We reviewed declarations of interest by those charged with governance to identify related parties to the entity; - Made enquiries of Directors and management to identify other related party relationships, transactions and balances not previously identified, and remained alert to audit evidence indicative of previously undisclosed related party relationships, transactions and balances; - Confirmed that the governance process in place in approving related party transactions was adhered to by reviewing approvals of related party transactions by the Board of Directors; - Made comparisons of the transactional value of related party transactions with prior year and challenged the economic rationale for any significant changes in related party transactions; - In assessing the approvals, we considered the tax implications of the related party transactions through consultations with our tax specialists; - Confirmed balances and transactions with related parties; - We assessed and challenged the appropriateness and reasonableness of the assumptions used in the estimation of the provision for credit losses; and - Confirmed that the related party transactions were appropriately disclosed in the financial statements.

INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDERS OF ECONET WIRELESS ZIMBABWE LIMITED

Key audit matters (continued)

<table>
<tr><th>Key audit matter</th><th>How our audit addressed the key audit matter</th></tr>
<tr><td colspan="2">Revenue recognition (Group)</td></tr>
<tr><td>The occurrence, accuracy and completeness of amounts recorded as revenue is an inherent industry risk due to the complexity of billing systems, accounting for new products and plans including multiple element arrangements and the combination of products sold and tariff structure changes during the year.

The Group's revenue streams are characterised by high volumes of transactional data. The revenue computation process is highly automated, complex in nature and dynamic thus requiring numerous information technology related checks and balances

The application of the revenue recognition accounting standard IFRS 15: Revenue from contracts with customers, requires the use of a complex accounting system which is compounded by the vast number of revenue transactions that is accounted for on an annual basis.. Due to the varying terms and conditions, the revenue recognition is complex as a result of the following:

- Accounting treatment for principal and agent relationships,
- Treatment of discounts, incentives and commissions;
- The potential impact of seemingly small errors is significant due to the possibility of automated replication through the large volumes of transactions; and;
- The deferral of revenue which is dependent on various automated systems, and processes which are complex in nature.

We therefore consider revenue recognition to be a matter of most significance to our current year audit due to significant amount of time involved in auditing the vast number of transactions and to audit the different processes in line with the revenue recognition accounting standard IFRS 15: Revenue from contracts with customers, as well as the extent of involvement required from our internal IT audit specialists</td><td>In addressing this matter we performed the following procedures:
- Performed walkthroughs of the revenue processes and evaluated the design and implementation of controls in this area;
- Performed tests on the operating effectiveness of controls on the recognition of revenue;
- Reviewed principal and agent contracts and the related treatment;
- Tested the process of updating and application of new tariff plans and the controls in the billing process;
- Analysed and verified transactional data on a monthly basis;
- Engaged our internal IT specialists to test the design, implementation and operating effectiveness of the general IT and key automated controls of the relevant billing environments, as well as to assess the relevant revenue reports utilised for audit purposes;
- Engaged Internal Data Analytics specialists to independently re-compute the revenue using data analytical methods;
- Engaged Data Analytics specialists to re-compute the deferred revenue/contract liability under IFRS15 (Outstanding prepaid airtime at year end)Performed detailed substantive testing of journal entries processed around revenue to ensure these were appropriately authorised, complete and accurate;
- Inspected a sample of underlying data for completeness and accuracy; and
- For a sample of contracts, reviewed the contract terms and assessed against the 5 step approach of IFRS 15.
- Reviewed the financial statements to ensure compliance with presentation and disclosure requirements of IFRS 15.</td></tr>
</table>

INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDERS OF ECONET WIRELESS ZIMBABWE LIMITED

Key audit matters (continued)

Key audit matter	How our audit addressed the key audit matter
Adoption of IFRS 16 – Leases (Group)	
The Group adopted IFRS 16 (Leases) in the current year. The standard replaces the guidance of IAS 17 (Leases) on the recognition, measurement, presentation and disclosure of leases. The application of the standard resulted in the recognition of a right of use asset of ZWL 302.7 million and a lease liability of ZWL 313.4 million, refer to notes 12 and 23 respectively. We have considered the completeness & valuation of the right of use asset and lease liability to be a key matter due to the substantial amount of operating leases the Group has and the significance of the judgements applied in the determination of the valuation of the right of use asset and the lease liability. The key areas of judgements included; - Determination of the lease term where there are multiple renewal options - Determination of the incremental rate of borrowing (IRB). Refer to note AB.7 to the consolidated financial statements for the critical judgement and estimates.	We performed the following procedures to respond to the key audit matter. - Obtained an understanding of management's approach and assumptions in determining contracts containing a lease; - Reviewed the appropriateness of the Group's determination of lease tenure taking into account business planning cycle, past history of terminating or not renewing a lease, how far into the future the renewal option is exercisable and the likelihood of that option being exercised; - Evaluated the appropriateness of the incremental - borrowing rate with reference to borrowing rates prevalent in-country; Evaluated the reliability of key data sources and assumptions for data used in determination of present value of future cash outflows mainly quarterly rentals and discount; - On a sample basis, re-performed the calculations of the lease liability and the right of use of the asset and amortisation thereof; - Reviewed the financial statement disclosures to ensure compliance with the standard.

INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDERS OF ECONET WIRELESS ZIMBABWE LIMITED

Key audit matters (continued)

Key audit matter	How our audit addressed the key audit matter
Management's use of the going concern assumption in the preparation of the annual financial statements (Group)	
The Group has in the current year reported total loss after tax of ZW$1.4 billion and has a net current liability position of ZW$436.3million This position was mainly driven by unrealised exchange losses on foreign debt. A significant portion of the unrealised exchange losses are as a result of foreign debentures held by Econet Global Limited, the major shareholder. Due to the significant auditor attention and judgement involved in assessing management's use of the going concern assumption, this was found to be a key audit matter. The key areas of judgement mainly relates to projected cashflows for the next 12 months and the 5 year forecast which supports the ability of the Group to settle current obligations in the for future.	To respond to the key audit matter, we performed the following procedures: • We assessed the cash flow forecasts and budgets for the next 12 months after the expected date of sign off of the financial statements for reasonableness. This involved challenging the key assumptions used in the forecasts; • We performed retrospective reviews by comparing projected cash flows against historical performance to test reasonableness of the budgets; • We assessed management's plans for extinguishing foreign debt for reasonability; • We performed subsequent events review and assessed the potential impact of those events on the going concern assumption; • We corresponded with the Group's legal counsel and assessed the potential impact of claims for and against the Group; • We assessed the viability of the interim measures put in place by the Board to ensure business continuity; • We inspected minutes of Board meetings outlining their plans for the Group; • We considered the adequacy of the going concern disclosure as set out on note 36;

Other Information

Management is responsible for the other information. The other information comprises the Report of Directors as required by the Companies and Other Business Entities Act, Directors' Responsibility Statement, and historical cost information, which we obtained prior to the date of this auditor's report and the Annual Report, which is expected to be made available to us after that date. The other information does not include the inflation adjusted consolidated financial statements and our auditor's report thereon.

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

In connection with our audit of the inflation adjusted consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the inflation adjusted consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement, we are required to report that fact. Given the nature of the matters set out in the Basis for Adverse Opinion section above, we have determined that the other information is materially misstated for the same reasons.

INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDERS OF ECONET WIRELESS ZIMBABWE LIMITED

Responsibility of the Directors for the financial statements

Management is responsible for the preparation and fair presentation of these inflation adjusted consolidated financial statements in accordance with IFRSs and in the manner required by the Companies and Other Business Entities Act (Chapter 24:31) and the Companies (Financial Statements) Regulations, 1996, the Zimbabwe Stock Exchange Listing Requirements and for such internal control as management determines is necessary to enable the preparation of inflation adjusted consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.
- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the inflation adjusted consolidated financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entity or business activities within the Group to express an opinion on the inflation adjusted consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDERS OF ECONET WIRELESS ZIMBABWE LIMITED

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

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

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

Report on other legal and regulatory matters

In fulfilment of the requirements of Section 193 of the Companies and Other Business Entities Act (Chapter 24:31) ("the Act"), we report to the shareholders as follows:

Section 193(1)(a)
The inflation adjusted consolidated financial statements of the Group are not properly drawn up in accordance with the Act and do not give a true and fair view of the state of the Group's affairs as at 29 February 2020.

Section 193(2)
We have no further matters to report in respect of the Section 193(2) requirements of the Act, in addition to those already covered in the Basis for Adverse Opinion section of our report.

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

Deloitte & Touche

DELOITTE & TOUCHE
Per Tumai Mafunga
PAAB Practice Certificate No 0442
Partner
Registered Auditor
Harare, Zimbabwe

2 November 2020