# 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

# Reviewed Abridged Consolidated Financial Results

## For the half year ended 31 August 2020

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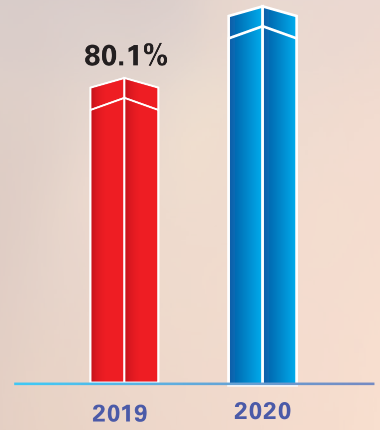
## FINANCIAL HIGHLIGHTS

### Subscribers

Increased by **0.24%** from 12.56 million to **12.59 million**

### Market share (voice traffic)

Increased by **2.6% points**




### Data traffic

Increased by **10.8%**

### Revenue (Inflation adjusted)

Decreased by **6.5%** from ZW$10.8 billion to **ZW$10.1 billion**

### EBITDA (Inflation adjusted)

Increased by **6.7%** from ZW$ 4.5 billion to **ZW$4.8 billion**


**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 Wireless

**ECONET WIRELESS ZIMBABWE LIMITED**


# Reviewed Abridged Consolidated Financial Results

## For the half year ended 31 August 2020

## Chairman's Statement

### INTRODUCTION

The evolutionary journey that the Company has embarked on will result in the transformation of our business from a communications services to digital services provider. The business was founded on a pioneering spirit and remains a leader in developing pioneering solutions. Over the last 22 years, the Company has introduced products and services that have transformed the lives of people in Zimbabwe. On the back of this solid history, we are intensifying our efforts to adapt our business model to respond to the changing needs of our customers. We see the next few years as being pivotal as we develop a business that embraces the fourth industrial revolution.

### BUSINESS ENVIRONMENT

Statutory Instrument (SI) 85 of 2020, which was promulgated on 29 March 2020 allowed local businesses to receive and pay for local goods and services in foreign currency. Further to this development, on 23 June 2020 the Reserve Bank of Zimbabwe ("RBZ") reintroduced the Foreign Exchange Auction System. Since the introduction of the Foreign Exchange Auction System, this has resulted in stability of exchange system. The business continues to pursue opportunities to receive payment of some of its services in foreign currency.

### REGULATORY ENVIRONMENT

The Postal and Telecommunications Regulatory Authority of Zimbabwe ("POTRAZ") introduced a sector specific pricing index, the Telecommunications Pricing Index ("TPI"). Tariff adjustments, in line with TPI, have brought a measure of viability to the telecommunications sector. The tariff adjustments, implemented in July and August 2020, are expected to have a significant impact on the results for the second half.

### COVID-19

The sudden and unexpected onset of the Covid-19 pandemic earlier has changed the world in ways that we could never have conceived. The need to ensure that businesses have effective digital strategies and capabilities was evident as national lock-downs across the world disrupted our day-to-day lives. Our priority is the health and safety of our staff, customers and those we engage in conducting our business. We have shifted the way we work and operate our business to adapt to the physical distancing requirements that came into effect as part of national efforts to contain the spread of the virus. Our digital platforms were put to the test and proved, resoundingly, to be robust. In place of our physical contact centres we had to develop remote communication and sales channels for our customers. More than 90% of our staff are currently working remotely. We have accelerated our human resources capabilities and are transforming our policies to permanently support remote working opportunities.

### OPERATIONS REVIEW

We maintained quality of service despite the numerous challenges facing businesses in Zimbabwe. In particular, limited foreign currency and disruptions in power supply continue to put significant strain on our ability to provide uninterrupted excellent service. Our mitigation strategies, which include moving to remote monitoring and operation of our network, as well as reducing our reliance on power from the grid through DPA - through which we expect at least additional 18 MW of power to be available by the end of the year - were critical to our success.

Our operations are driven by a complex architecture of digital platforms that are maintained by highly-skilled teams who have received extensive training in managing information technology platforms. We have developed a world-class data centre and effective monitoring tools that allow us to review all operations from our National Operations Centre ("NOC").

Our Enterprise Business, founded on the need to help businesses digitalise their operations, was involved in developing a suite of digital offerings for the local market to suit both large and small businesses. The range of activities undertaken varied from helping businesses automate their processing plants to asset tracking and monitoring solutions as well as machine to machine communication using internet of things ("IoT") technology. The possibilities of what we can achieve as we tackle business problems and create relevant solutions, using technology, presents a vast area of opportunity.

As our customers service center deployed digital interfaces to deal with the social disruptions caused by the Covid-19 pandemic, we witnessed an increase in all data traffic by about 100%. Specifically, LTE/4G traffic increased by about 150%. In response to the pandemic, we launched segment specific offers targeted at individuals, businesses, churches and educational institutions and other key institutions. The capacity increase was possible because of our forward looking investment strategy that allowed us to build capacity ahead of time, even with very limited resources. Our teams were able to manage the traffic demand, by analysing customer usage trends and profiles as we sought to understand the needs of our customers. The ability to analyse and interpret large data sets and develop intuitive customer solutions is a skill that we are fast developing in the business.

During the period under review the contribution from our data services to total revenue increased by 3 percentage points, from 25% to 28%. Our voice and SMS segments of the business remain robust and have largely retained their share of traffic in the market. As we transform the business to be focused on digital services, we remain committed to innovative approaches to provide these services and ensure that our customers get the best quality voice and SMS services.

During the period under review over 24 million interactions were handled through our robust self-care platforms, a 50% growth from the previous period. A notable innovation, was the automation of SIM swaps which was successfully launched in July 2020. This initiative resulted in a 67% reduction in contact time for SIM placements with our customers. The deployment of the Dynamic Sim Allocation saw a re-direction and re-distribution of 65% of the traffic resulting from Sim replacements from our shops to over 1 000 channels comprising Brand Ambassadors and Green Kiosks, who now provide this service. The strategy of driving digital adoption to enhance customer convenience resulted in the growth of our digital customer management platforms (Facebook, Twitter, Web Chat and WhatsApp) which are currently handling 75% of total customer interactions.

The business continuously evaluates its pricing models in line with changes in the operating environment to ensure its services remain affordable. Through targeted segment specific offers and bundles, the business has been able to sustain customer volumes on its various platforms. In this way, the business has been able to maintain its share of traffic and revenue in an environment where customer disposable incomes have been declining.

### FINANCIAL REVIEW

The Directors' commentary is based on the primary financial results, being the inflation adjusted consolidated financial results, having adopted IAS 29 – Financial Reporting in Hyperinflationary Economies. The business continues to generate adequate cash flows on the back of an EBITDA margin of 47%, made possible by strict cost management policies adopted by the business. Revenue closed the period at ZWL$ 10.1 billion, compared to ZWL$ 10.8 billion in the same period last year.

Our engagements with our partners helped us build positive relationships with our key partners which have allowed us to agree sustainable payments plans for our foreign currency commitments. Continuing to meet our obligations to our key partners is a priority as we develop and upgrade our infrastructure. Exchange losses continue to weigh-down on business performance, although, when viewed as multi-year commitment, the business is able to meet its outstanding obligations, over time, if the tariffs are maintained at viable levels, which is currently the case.

The net foreign currency position of the Group remains positive as a result of the equity holding of the Company in Liquid Telecommunications Holdings Limited, valued at US$ 135 million.

### TREASURY SHARES

In line with the authority granted at the last Annual General Meeting, the Company bought back and is cumulatively holding 107 609 339 treasury shares.

### SUSTAINABILITY

The principles underpinning ethical and sustainable business practices remain a priority for our stakeholders. The business realises its responsibility to drive positive change by its commitment to sustainable and responsible environmental, social and governance practices to proactively address sustainability challenges. The principles of ethical and sustainable business – which are also a priority for our stakeholders - guide our approach to customer and employee relationships, products and services, partnership operations, innovations and investments.

A highlight this year, is the leading role the business took to support government efforts to manage the damaging effects of Covid-19. In partnership with the Ministry of Health and Child Welfare; Higherlife Foundation and Cassava Smartech Zimbabwe Limited, the Company was involved in helping various national institutions respond to the pandemic. The Company was also involved in various fund raising initiatives and donation of personal protective equipment to front line health workers. The Company and its partners and affiliates continued in their efforts to support resettlement of victims affected by Cyclone Idai.

### OUTLOOK

Founded in 1998, at the onset of the first period of hyperinflation, the business has continued to grow, despite the difficult operating environment. The Company's strategy has adapted to the changes in the operating environment over the last 20 years. Our ability to transform the business and swiftly adopt new technologies has been demonstrated as communications technology evolved from GPRS (2G), 3G, 4G (LTE) and now 5G. Based on this strong foundation, the Company continues to explore new opportunities presented by the local conditions as well as global technological trends. We are now making bold steps to pivot our strategy from a communications service provider to a digital services provider.

### APPRECIATION

The operating conditions have remained challenging. Yet, through the challenges, our customers have stayed with us, adapting to the new ways that they need to interact with us. We will continue to work to earn their business and trust through quality products and service that meet their needs and expectations. We also appreciate the support we receive from all our partners and stakeholders. We also want to thank our people, their creativity, resilience and commitment to the business continue to drive our growth and performance. As we continue to transform our business in line with changing context and needs, we acknowledge that transformation of this scale is never easy. On behalf of the Board, I express my most sincere gratitude to you all and look forward to the future with even greater hope and anticipation.

**Dr. J. Myers**
**Chairman on the Board**

**26 November 2020**

### DEBENTURES

The Company intends to offer, on a voluntary basis, an early redemption of the capital and accrued interest on debentures issued in March 2017, at the time of the Rights Offer ("The voluntary redemption offer"). The voluntary redemption offer will be made in Zimbabwe Dollars, at the prevailing auction rate, paid to the nominated local Zimbabwe Dollar bank account of the respective debenture holders. Redemption will be on a voluntary basis. Debenture holders are free to hold the instrument to maturity, should they wish to do so, on the original terms and conditions.

The debentures will be redeemed in tranches, which tranches will be determined based on the availability of cash flow of the Company at the time of the announcement. Debenture holders will be requested, at the time of redemption, to state how many debentures they would wish to redeem. The cash available will then be allocated pro-rata to those that accept the offer for early redemption. The results of the early redemption offer and subsequent take up by debenture holders will be published after each redemption. The debenture register will remain available for inspection at all times, within the prescribed rules under the Debenture Trust deed.

The Extraordinary General Meeting of the Company, which was called for the purposes of considering the conversion of the debentures, which was postponed sine die, is therefore closed. Once the redemption process is initiated, the Directors do not envisage a situation whereby a conversation of the debentures to equity will be considered. In the event that at the date of maturity, the Company is unable to redeem the remaining debentures, for whatever reason, appropriate consultations will be done to ascertain the best possible way to address the issue.

This proposal is subject to Reserve Bank of Zimbabwe and other relevant regulatory approvals.

**TIP-OFFS ANONYMOUS**

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# ECONET Wireless

## ECONET WIRELESS ZIMBABWE LIMITED





# Reviewed Abridged Consolidated Financial Results

## For the half year ended 31 August 2020

### Abridged consolidated statement of profit or loss and other comprehensive income

For the half year ended 31 August 2020

| (All figures in ZW$ 000) | INFLATION ADJUSTED Reviewed August 2020 | INFLATION ADJUSTED Unreviewed August 2019 | HISTORIC Unreviewed August 2020 | HISTORIC Unreviewed August 2019 |
|---|---|---|---|---|
| **Revenue** | **10,143,358** | **10,827,093** | **6,797,831** | **836,437** |
| **Earnings before interest, taxation, depreciation and amortisation** | 4,779,364 | 4,500,833 | 3,293,519 | 360,841 |
| Depreciation, amortisation and impairment | (1,984,993) | (1,565,171) | (1,145,255) | (176,736) |
| **Profit from operations** | **2,794,371** | **2,935,662** | **2,148,264** | **184,105** |
| Monetary adjustment | 7,387,147 | 1,339,563 | - | - |
| Net exchange losses | (10,273,290) | (15,937,417) | (7,045,426) | (1,296,270) |
| Finance income | 86,135 | 84,579 | 58,324 | 5,957 |
| Finance costs | (163,009) | (102,988) | (110,885) | (9,681) |
| **Loss before tax** | **(168,646)** | **(11,680,601)** | **(4,949,723)** | **(1,115,889)** |
| Income tax credit | 83,662 | 576,178 | 956,888 | 127,646 |
| **Loss for the period** | **(84,984)** | **(11,104,423)** | **(3,992,835)** | **(988,243)** |
| **Other comprehensive income** | | | | |
| Fair value gain on investments at FVTOCI, net of tax | 3,162,753 | 9,539,106 | 8,849,660 | 1,107,866 |
| Gain on property revaluation, net of tax | - | 9,670,078 | - | 2,604,023 |
| Share of other comprehensive income of associate | - | 189,867 | - | 63,984 |
| **Total comprehensive income for the period** | **3,162,753** | **19,399,051** | **8,849,660** | **3,775,873** |
| **Loss for the period attributable to** | | | | |
| Equity holders of the parent | (97,656) | (11,203,717) | (3,955,670) | (983,837) |
| Non-controlling interest | 12,672 | 99,294 | (37,165) | (4,406) |
| **Loss for the period** | **(84,984)** | **(11,104,423)** | **(3,992,835)** | **(988,243)** |
| **Total comprehensive income for the period attributable to** | | | | |
| Equity holders of the parent | 3,065,097 | 8,052,780 | 4,893,990 | 2,761,105 |
| Non-controlling interest | 12,672 | 241,847 | (37,165) | 26,525 |
| **Total comprehensive income for the period** | **3,077,769** | **8,294,627** | **4,856,825** | **2,787,630** |
| **Earnings per share** | | | | |
| Basic and diluted loss per share (cents) | (3.9) | (444.1) | (159.3) | (39.0) |
| 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 | 2,483,004,739 | 2,522,894,240 | 2,483,004,739 | 2,522,894,240 |

### Abridged consolidated statement of financial position

As at 31 August 2020

| (All figures in ZW$ 000) | INFLATION ADJUSTED Reviewed August 2020 | INFLATION ADJUSTED Audited February 2020 | HISTORIC Unreviewed August 2020 | HISTORIC Unaudited February 2020 |
|---|---|---|---|---|
| **Assets** | | | | |
| Property, plant and equipment and intangible assets | 30,258,540 | 32,230,540 | 8,625,178 | 9,690,986 |
| Other non-current assets | 1,864,595 | 2,092,348 | 83,308 | 244,150 |
| Deferred tax | 1,545,622 | 1,360,671 | 1,545,622 | 410,104 |
| Financial instruments - long-term | 13,966,518 | 9,902,655 | 13,966,518 | 2,984,642 |
| Financial instruments - short-term | 4,002,712 | 4,112,646 | 4,002,712 | 1,239,544 |
| Other current assets | 5,334,181 | 2,295,037 | 2,470,125 | 546,732 |
| **Total assets** | **56,972,168** | **51,993,897** | **30,693,463** | **15,116,158** |
| **Equity and liabilities** | | | | |
| **Equity** | | | | |
| Share capital and share premium | 2,046,885 | 2,046,885 | 96,371 | 96,371 |
| Retained earnings / (accumulated losses) | 23,821,466 | 23,919,122 | (4,417,967) | (462,297) |
| Other reserves | 10,086,548 | 6,923,795 | 18,629,657 | 9,779,997 |
| Attributable to equity holders of the parent | 35,954,899 | 32,889,802 | 14,308,061 | 9,414,071 |
| Non-controlling interest | 288,696 | 276,024 | 35,599 | 72,764 |
| **Total equity** | **36,243,595** | **33,165,826** | **14,343,660** | **9,486,835** |
| **Liabilities** | | | | |
| Deferred tax | 5,910,685 | 6,124,158 | 1,562,871 | 1,838,486 |
| Other non-current liabilities | 55,672 | 184,712 | 55,672 | 55,672 |
| Financial instruments | | | | |
| - Long-term interest-bearing debt | 5,549,241 | 4,679,272 | 5,549,241 | 1,410,324 |
| - Short-term interest-bearing debt | 5,893 | 27,654 | 5,893 | 8,335 |
| - Other financial instruments - short-term | 8,659,564 | 6,536,948 | 8,659,564 | 1,970,224 |
| Other current liabilities | 547,518 | 1,275,327 | 516,562 | 346,282 |
| **Total liabilities** | **20,728,573** | **18,828,071** | **16,349,803** | **5,629,323** |
| **Total equity and liabilities** | **56,972,168** | **51,993,897** | **30,693,463** | **15,116,158** |

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.

### Consolidated statement of changes in equity

For the half year ended 31 August 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 2019** | **2,046,885** | **29,129,461** | **116,248** | **31,292,594** | **(90,968)** | **31,201,626** |
| Loss for the period | - | (11,203,717) | - | **(11,203,717)** | 99,294 | **(11,104,423)** |
| Purchase of treasury shares | - | (502,396) | - | **(502,396)** | - | **(502,396)** |
| Gain on revaluation of property, net of tax | - | - | 9,527,525 | **9,527,525** | 142,553 | **9,670,078** |
| Share of other comprehensive income of associate | - | - | 189,867 | **189,867** | - | **189,867** |
| Fair value gain on investments at FVTOCI, net of tax | - | - | 9,539,106 | **9,539,106** | - | **9,539,106** |
| **Balance at 31 August 2019** | **2,046,885** | **17,423,348** | **19,372,746** | **38,842,979** | **150,879** | **38,993,857** |
| **Balance at 1 March 2020** | **2,046,885** | **23,919,122** | **6,923,795** | **32,889,802** | **276,024** | **33,165,826** |
| Loss for the period | - | (97,656) | - | **(97,656)** | 12,672 | **(84,984)** |
| Fair value gain on investments at FVTOCI, net of tax | - | - | 3,162,753 | **3,162,753** | - | **3,162,753** |
| **Balance at 31 August 2020** | **2,046,885** | **23,821,466** | **10,086,548** | **35,954,899** | **288,696** | **36,243,595** |

**HISTORICAL**

| (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 2019** | **96,371** | **588,862** | **788,075** | **1,473,308** | **(4,283)** | **1,469,025** |
| Loss for the period | - | (983,837) | - | **(983,837)** | (4,406) | **(988,243)** |
| Purchase of treasury shares | - | (58,348) | - | **(58,348)** | - | **(58,348)** |
| Gain on revaluation of property, net of tax | - | - | 2,573,092 | **2,573,092** | 30,931 | **2,604,023** |
| Share of other comprehensive income of associate | - | - | 63,984 | **63,984** | - | **63,984** |
| Fair value gain on investments at FVTOCI, net of tax | - | - | 1,107,866 | **1,107,866** | - | **1,107,866** |
| **Balance at 31 August 2019** | **96,371** | **(453,323)** | **4,533,017** | **4,176,065** | **22,242** | **4,198,307** |
| **Balance at 1 March 2020** | **96,371** | **(462,297)** | **9,779,997** | **9,414,071** | **72,764** | **9,486,835** |
| Loss for the period | - | (3,955,670) | - | **(3,955,670)** | (37,165) | **(3,992,835)** |
| Fair value gain on investments at FVTOCI, net of tax | - | - | 8,849,660 | **8,849,660** | - | **8,849,660** |
| **Balance at 31 August 2020** | **96,371** | **(4,417,967)** | **18,629,657** | **14,308,061** | **35,599** | **14,343,660** |

### Abridged consolidated statement of cash flows

For the half year ended 31 August 2020

| (All figures in ZW$ 000) | INFLATION ADJUSTED Reviewed August 2020 | INFLATION ADJUSTED Unreviewed August 2019 | HISTORIC Unreviewed August 2020 | HISTORIC Unreviewed August 2019 |
|---|---|---|---|---|
| **Cash flows from operations** | **753,974** | **(16,473)** | **1,500,584** | **297,482** |
| Income taxes paid | (929,014) | (981,896) | (420,941) | (32,837) |
| **Net cash (utilised in) / generated from operations** | **(175,040)** | **(998,369)** | **1,079,643** | **264,645** |
| **Cash flows from investing activities** | | | | |
| Acquisition of property, plant and equipment and intangible assets | (157,825) | (98,436) | (79,401) | (10,403) |
| Net acquisition of other investments | (277,057) | (282,493) | (180,625) | (20,629) |
| **Net cash utilised in investing activities** | **(434,882)** | **(380,929)** | **(260,026)** | **(31,032)** |
| **Cash flows from financing activities** | | | | |
| Finance costs paid | (36,729) | (2,110) | (18,478) | (198) |
| Share buy-back | - | (502,396) | - | (58,348) |
| Repayment of borrowings | (4,246) | - | (1,834) | - |
| Repayment of right-of-use asset lease liabilities | (4,747) | - | (2,388) | - |
| **Net cash utilised in financing activities** | **(45,722)** | **(504,506)** | **(22,700)** | **(58,546)** |
| **Net (decrease) / increase in cash and cash equivalents** | **(655,644)** | **(1,883,804)** | **796,917** | **175,067** |
| Cash and cash equivalents at beginning of period | 2,079,240 | 5,665,054 | 626,679 | 264,085 |
| **Cash and cash equivalents at end of period** | **1,423,596** | **3,781,250** | **1,423,596** | **439,152** |
| **Comprising:** | | | | |
| Short term investments | 212,079 | - | 212,079 | - |
| Cash and bank balances | 1,211,517 | 3,781,250 | 1,211,517 | 439,152 |
| | **1,423,596** | **3,781,250** | **1,423,596** | **439,152** |

**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 Wireless

# ECONET WIRELESS ZIMBABWE LIMITED - REVIEWED ABRIDGED CONSOLIDATED FINANCIAL RESULTS FOR THE HALF YEAR ENDED 31 AUGUST 2020

## Summarised segment information

| | INFLATION ADJUSTED | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | 31 August 2020 | | | | 31 August 2019 | | | |
| (All figures in ZW$ 000) | Cellular network operations | Other segments | Net elimina-tions | Total | Cellular network operations | Other segments | Net elimin-tions | Total |
| Revenue from external customers | 10,091,850 | 51,508 | - | **10,143,358** | 10,672,391 | 154,702 | - | **10,827,093** |
| Depreciation, amortisation and impairment | (1,960,787) | (24,206) | - | **(1,984,993)** | (1,547,890) | (17,281) | - | **(1,565,171)** |
| Segment (loss) / profit | 825,683 | (910,667) | - | **(84,984)** | (7,368,171) | (3,519,693) | (216,559) | **(11,104,423)** |
| Segment assets | 41,895,476 | 15,914,145 | (837,453) | **56,972,168** | 53,478,261 | 16,855,665 | (1,810,204) | **68,523,722** |
| Segment liabilities | (15,124,816) | (5,995,875) | 392,118 | **(20,728,573)** | (25,069,202) | (6,270,869) | 1,810,204 | **(29,529,867)** |

| | HISTORIC | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | 31 August 2020 | | | | 31 August 2019 | | | |
| (All figures in ZW$ 000) | Cellular network operations | Other segments | Net elimina-tions | Total | Cellular network operations | Other segments | Net elimin-tions | Total |
| Revenue from external customers | 6,764,323 | 33,508 | - | **6,797,831** | 824,728 | 11,709 | - | **836,437** |
| Depreciation, amortisation and impairment | (1,137,840) | (7,415) | - | **(1,145,255)** | (174,729) | (2,007) | - | **(176,736)** |
| Segment (loss) / profit | (1,599,477) | (2,393,358) | - | **(3,992,835)** | (617,868) | (320,329) | (50,046) | **(988,243)** |
| Segment assets | 16,784,914 | 14,321,634 | (413,085) | **30,693,463** | 5,963,807 | 1,867,102 | (210,236) | **7,620,673** |
| Segment liabilities | (10,928,518) | (5,813,403) | 392,118 | **(16,349,803)** | (2,904,882) | (727,720) | 210,236 | **(3,422,366)** |

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.

## Notes to the reviewed abridged consolidated financial results

**For the half year ended 31 August 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 results 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 non-compliance with IAS 21 impacts the statement of comprehensive income, statement of changes in equity and statement of cash flows for the half year ended 31 August 2019.

### 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 the consolidated half year results, the Directors advise users of these results to exercise due caution with respect to the statement of comprehensive income, statement of changes in equity and statement of cash flows for the half year ended 31 August 2019.

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.

The Group adopted a number of other new standards and amendments on 1 March 2020 which however had no material impact on these results.

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

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. 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 results for the half year ended 31 August 2020 are as follows;

| | CPI | Conversion factor |
|---|---|---|
| 28 February 2019 | 100 | 21.23 |
| 31 August 2019 | 246.68 | 8.61 |
| 29 February 2020 | 640.16 | 3.32 |
| 31 August 2020 | 2 123.97 | 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.

## Notes to the abridged consolidated financial results (continued)

**For the half year ended 31 August 2020**

### 4. Depreciation of property, plant and equipment and amortisation of intangible assets

| | INFLATION ADJUSTED | | HISTORIC | |
|---|---|---|---|---|
| (All figures in ZW$ 000) | **August 2020** | August 2019 | **August 2020** | February 2019 |
| Charge for the period | 1 984 993 | 1 565 171 | 1 145 255 | 176 736 |

### 5. Commitments for capital expenditure

| | INFLATION ADJUSTED | | HISTORIC | |
|---|---|---|---|---|
| (All figures in ZW$ 000) | **August 2020** | August 2019 | **August 2020** | August 2019 |
| Authorised and contracted for | 265 571 | 83 951 | 265 571 | 9 750 |
| Authorised and not contracted for | 1 926 069 | 1 020 696 | 1 926 069 | 118 543 |
| | **2 191 640** | **1 104 647** | **2 191 640** | **128 293** |

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

### 6. Earnings per share

| | INFLATION ADJUSTED | | HISTORIC | |
|---|---|---|---|---|
| (All figures in ZW$ 000) | **August 2020** | August 2019 | **August 2020** | August 2019 |
| Loss for the year attributable to equity holders of the parent (ZW$ 000) | (97 656) | (11 203 717) | (3 955 670) | (983 837) |
| Weighted average number of ordinary shares for the purposes of basic and diluted earnings per share calculation ('000) | 2 483 004 | 2 522 894 | 2 483 004 | 2 522 894 |
| Basic and diluted loss per share (ZW$ cents) | (3.9) | (444.1) | (159.3) | (39.0) |

### 7. 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.

### 8. Contingent liabilities

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

### 9. Events after reporting date

Subsequent to the half year end, the Group commenced discussions with Delta Corporation Limited to dispose its entire shareholding in Mutare Bottling Company (Private) Limited. Management is finalising the disposal of the subsidiary which constitutes the beverages segment of the Group.

### 10. Going concern

The Group incurred exchange losses of ZW$ 10.3 billion as a result of its exposure in foreign currency denominated obligations. The Group's negative working capital position of ZW$ 124 million is also attributed to unrealised exchange losses on the foreign currency denominated obligations. 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.

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 28 February 2022 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.

### 11. Review conclusion

The abridged consolidated inflation adjusted financial results 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;

- 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;
- Impact of incorrect date of application of International Accounting Standard 29 - Financial Reporting in Hyperinflationary Economies ("IAS 29") ; and
- Impact of adverse review conclusion on Cassava Smartech Zimbabwe Limited (an associate of the Group) on the current period Group financial information.

The review report is available for inspection at the Econet Wireless Zimbabwe Limited's registered offices. The engagement partner responsible for the review was Mr. Tumai Mafunga, PAAB Practice Number 0442.

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

**REPORT ON THE REVIEW OF THE INFLATION ADJUSTED ABRIDGED CONSOLIDATED FINANCIAL INFORMATION**

**Introduction**

We have reviewed the accompanying inflation adjusted abridged consolidated statement of financial position of Econet Wireless 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 information.

The Directors are 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 consolidated 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. .

   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 comparative financial results reported for the 6 months interim period ended 31 August 2020.

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

**REPORT ON THE REVIEW OF THE INFLATION ADJUSTED ABRIDGED CONSOLIDATED FINANCIAL INFORMATION (continued)**

**Basis for Adverse Conclusion (continued)**

2. Impact of incorrect date of application of International Accounting Standard 29 - Financial Reporting in Hyperinflationary Economies ("IAS 29")

   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.

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

   i. Inflation adjusted consolidated financial information for the comparative period;
   ii. Inventory (including work in progress), deferred revenue, share capital, share premium and deferred taxation in the interim inflation adjusted consolidated statement of financial position as at 31 August 2020; and
   iii. 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 period.

   We were unable to determine the financial effects of this departure on the interim inflation adjusted consolidated financial information.

3. Impact of adverse opinion on Cassava Smartech Zimbabwe Limited (an associate of the Group) on the current period Group financial information

   The Group has a 22.9% investment in Cassava Smartech Zimbabwe Limited (Cassava) which is classified as an investment is associate and accounted for using the equity method. The associate was issued with an adverse review conclusion on the 31 August 2020 interim inflation adjusted consolidated financial information as a result of the following:

   i. 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;
   ii. Impact of incorrect date of application of International Accounting Standard (IAS) 29 "Financial Reporting in Hyperinflationary Economies" affecting the closing values of inventory, share capital, share premium and revaluation reserves, deferred tax movement and net gain/loss on monetary position for the period; and
   iii. Limitation on scope arising from a forensic audit on Ecocash (Private) Limited (EcoCash) (a subsidiary of Cassava) that was ongoing at the time of issuing our review conclusion. All mobile money operators in Zimbabwe are currently subject to a forensic audit by the Reserve Bank of Zimbabwe. EcoCash was determined to be within the scope a forensic audit. The investigation is still ongoing at the time of issuing our Auditor's Report.

   We were therefore unable to determine whether any additional adjustments would be required in respect of the recorded share of loss from associate recorded in the inflation adjusted statement of profit and loss.

**Adverse Conclusion**

Our review indicates that because of the significance of the matters described in the Basis for Adverse Conclusion section above, 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.

Deloitte & Touche

**DELOITTE & TOUCHE**
**Per Tumai Mafunga**
PAAB Practice Certificate No: 0442
Partner and Registered Auditor

**Date: 30 November 2020**

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

# Reviewed short-form financial announcement

## For the half year ended 31 August 2020

ECONET WIRELESS - 1948

## FINANCIAL HIGHLIGHTS

**Subscribers**
Increased by **0.24%**

**Revenue (Inflation adjusted)**
Decreased by **6.5%**

**EBITDA (Inflation adjusted)**
Increased by **7%**


The Directors of Econet Wireless Zimbabwe Limited (the Company) are responsible for the short-form financial announcement which is issued in terms of Practice Note 13 of the Zimbabwe Stock Exchange.

The short-form financial announcement is only a summary of the information contained in the abridged consolidated financial results for the half year ended 31 August 2020. Any investment decisions by investors and / or shareholders should be based on the complete abridged consolidated financial results published on the ZSE website: www.zse.co.zw and Company's website: www.econet.co.zw. The abridged results are also available on request, at no charge, at the registered office of the Company during working hours or via email on info@econet.co.zw.

| (All amounts in ZW$ 000) | INFLATION ADJUSTED Reviewed August 2020 | INFLATION ADJUSTED Change from comparative period | HISTORIC Reviewed August 2020 | HISTORIC Change from comparative period |
|---|---|---|---|---|
| Revenue | 10,143,358 | (6%) | 6,797,831 | 713% |
| Operating profit | 4,779,364 | 6% | 3,293,519 | 813% |
| Loss for the year | (84,984) | 99% | (3,992,835) | (304%) |
| Basic earnings and headline earnings per share (cents) | (3.9) | 99% | (159) | (309%) |
| Total assets | 56,972,168 | 10% | 30,693,463 | 103% |
| Total equity | 36,243,595 | 9% | 14,343,660 | 51% |
| Total liabilities | 20,728,573 | 10% | 16,349,803 | 190% |

International Accounting Standard (IAS) 29 - Financial Reporting in Hyperinflationary Economies 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 other user requirements.

### Dividend

The Board did not declare a dividend for the half year.

### Review opinion

The abridged consolidated inflation adjusted financial results 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;

- 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;
- Impact of incorrect date of application of IAS 29; and
- Impact of adverse review conclusion on Cassava Smartech Zimbabwe Limited (an associate of the Group) on the current period Group financial information.

An emphasis of matter paragraph has also been included in the report with respect to going concern. The review report is available for inspection at the Econet Wireless Zimbabwe Limited's registered offices.

**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.