# 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 2021


## Financial highlights

**Subscribers**
Increased by
**7%**
from 12.6 million to
**13.4 million**

**Revenue**
(Inflation adjusted)
Increased by
**95%**
from ZW$15.2 billion to
**ZW$29.6 billion**

**Data traffic**
Increased by
**56%**

**Voice traffic**
Increased by
**29%**

**EBITDA**
(Inflation adjusted)
Increased by
**127%**
from ZW$7.2 billion to
**ZW$16.2 billion**

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 interim financial statements for the half year ended 31 August 2021. Any investment decisions by investors and / or shareholders should be based on the complete abridged consolidated interim financial statements published on the ZSE website: **www.zse.co.zw** and Company's website: **www.econet.co.zw**. The abridged interim financial statements 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**.

| | Inflation adjusted | | Historic | |
|---|---|---|---|---|
| (All figures in ZW$ 000) | **Reviewed 31 August 2021** | Change from comparative period | **Unreviewed 31 August 2021** | Change from comparative period |
| Revenue | 29,608,996 | **95%** | 27,390,560 | **305%** |
| Earnings before interest, tax, depreciation, amortisation, impairment and monetary adjustment | 16,246,830 | **127%** | 15,213,222 | **362%** |
| Profit for the period | 6,587,462 | **5 259%** | 7,850,795 | **297%** |
| Basic and diluted earnings per share (cents) | 272 | **4 633%** | 323 | **303%** |
| Total assets | 82,336,526 | **4%** | 72,082,130 | **15%** |
| Total equity | 56,347,958 | **4%** | 47,822,261 | **14%** |
| Total liabilities | 25,988,568 | **5%** | 24,259,869 | **18%** |

Percentage changes on statement of profit or loss line items are based on the 31 August 2020 results and the statement of financial position line items on the 28 February 2021 results.

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 meet other user requirements. As a result, the auditors have not expressed a review conclusion on the historical information.

**Dividend declaration**

The Company has declared an interim dividend of 60 ZW cents per share for the half year ended 31 August 2021. The dividend is payable on / or about 15 December 2021 to registered ordinary shareholders at the close of business on 10 December 2021.

The shares of the Company will last trade cum dividend on 7 December 2021 and commence trading ex-dividend from 8 December 2021.

**Review conclusion**

The abridged inflation adjusted consolidated interim financial statements, on which this short-form announcement is based on, 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 an adverse review conclusion has been expressed thereon with respect to the following matters;

- Valuation of property, plant and equipment and intangible assets - non-compliance with IFRS 13 "Fair Value Measurements" in the prior and current period.
- Impact of adverse review conclusion on Cassava Smartech Zimbabwe Limited (an associate of the Group) on the current period Group financial information.
- Impact of incorrect date of application of International Accounting Standard 29 "Financial Reporting in Hyperinflationary Economies" ("IAS 29") on comparative financial information in the statement of consolidated profit and loss and other comprehensive income.

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. Tapiwa Chizana, PAAB Practice Number 0444.

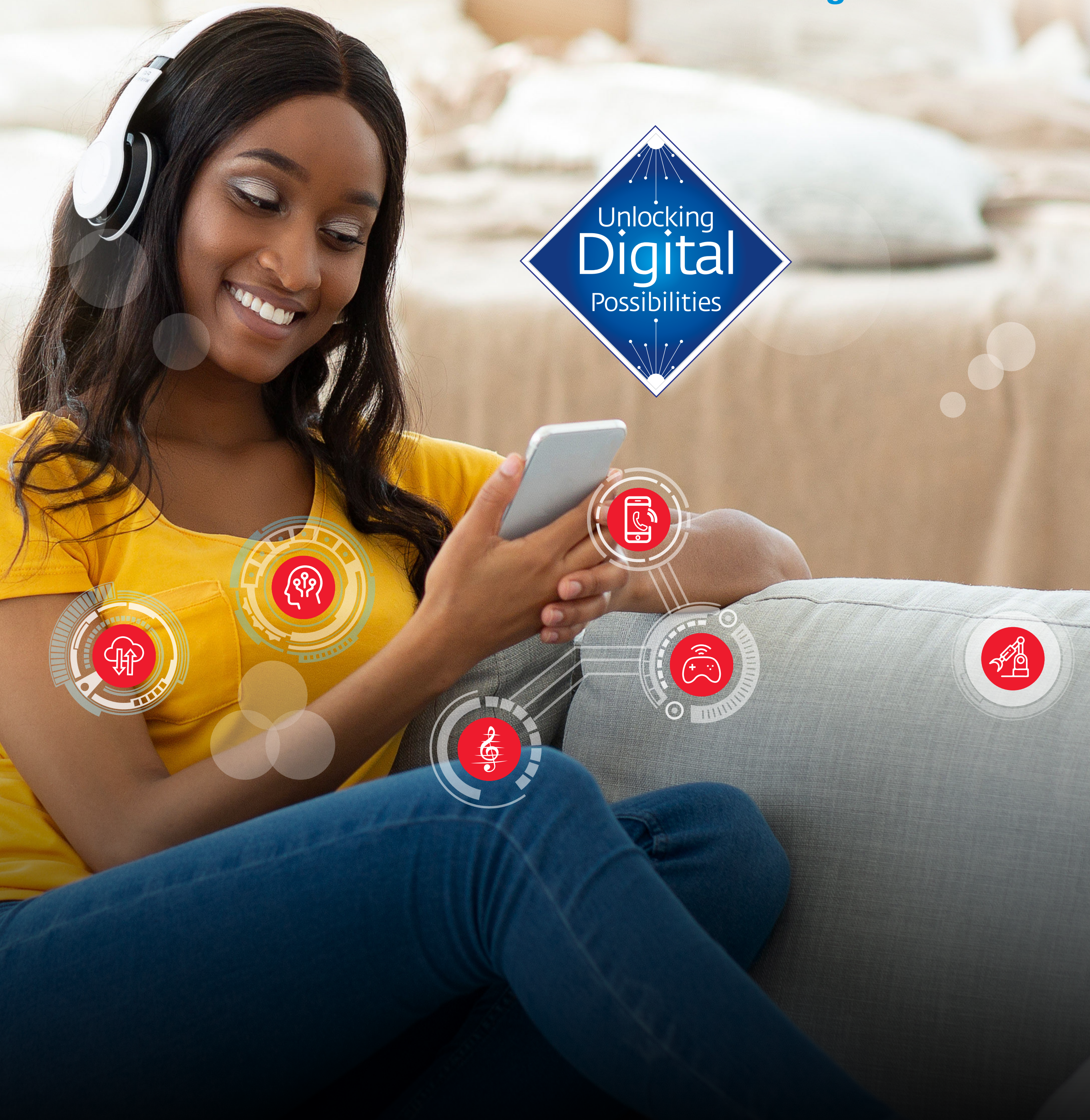

**Directors:** Dr. J. Myers (Chairman)*, Mr. S.T. Masiyiwa, Mr. R. Chimanikire, Dr. J. Chimhanzi*, Mr. M. Edge*, Mr. M. Gasela*, Mr. G. Gomwe*, Dr. D. Mboweni, Ms. B. Mtetwa*, Ms T. Moyo*, Mr. H. Pemhiwa*. *Non Executive | **Group Company Secretary:** Mr. C.A. Banda | **Econet Wireless Zimbabwe Limited:** 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 ZIMBABWE LIMITED

# Abridged Consolidated Interim Financial Statements

For the half year ended

**31 August 2021**



# Content



**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



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**Deloitte & Touche**

| | |
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# Financial highlights

## Subscribers

Increased by

7%

from 12.6 million to
**13.4 million**

## Revenue
(Inflation adjusted)

Increased by

95%

from ZW$15.2 billion to
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## EBITDA
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**ZW$16.2 billion**

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56%

## Voice traffic
Increased by

29%

# Chairman's statement

**We remain focused on furthering the digital transformation of our products and services as we transform to a fully-fledged digital services provider (DSP). We are investing into artificial intelligence (AI), machine learning and gamification as we seek to better understand our customers' needs and expectations.**

## Introduction

Our efforts in pioneering innovative digital products, in addition to providing an unparalleled customer experience continue to drive our performance thereby helping us to retain our market leadership. We have made meaningful strides in our digital transformation journey. The journey requires us to scale-up our already robust digital infrastructure and continuously enhance our staff capabilities so that our customers are able to experience the digital world in a more intimate way. Our vision remains a digitally connected future that leaves no Zimbabwean behind.

### Regulatory review

In September 2021, the telecommunications regulator approved a cost-based tariff adjustment, for operators, based on the telecommunications price index (TPI) for voice, data, SMS and USSD; and fixed data services respectively.

### Operations review

The business is on a journey that will reposition our communications business to a digital services business. We are supporting our customers who are adapting to the imperatives ushered in by new ground breaking technologies that are now available. Our positioning shifted from "Enhancing Lives" to "Live the difference." This change in our messaging highlights how we are transforming our customers' lives through our innovative digital products and service offerings and envisaging a bold new world of endless possibilities. The COVID-19 era has seen the adoption of a safe and convenient way of life to help our customers stay connected in the comfort of their homes. Going forward, we will be unveiling a bigger and better digital ecosystem and a more fun and convenient digital lifestyle experience.

# Chairman's statement (continued)

Demand for our mobile broadband services continued to increase. During the period under review, we upgraded our 4G network in Harare and Chitungwiza and this increased the data browsing speeds by 1.5 times. This reflects our commitment to improve customer experience. 18 new base station sites were commissioned across the country to provide network connectivity in new suburbs that were previously un-serviced. We plan to commission over 215 new LTE sites country-wide to improve network quality and availability. In the next few months, we will start our 5G journey as we pivot to the next stage of our digital evolution.

An improved know your customer (KYC) platform that meets modern technological features such as biometric identification is under consideration. This will enhance compliance with subscriber registration legislation whilst safeguarding customers from identity fraud. Our customers will now be able to engage in more self-service activities as part of our digital drive. This upgrade will provide us with more resources allowing us to provide our services at the scale and sophistication that is demanded by our market. However, we are constrained by the shortage of foreign currency which could potentially impact our implementation timing. We have over 700 digital centres across the country offering digital support to our customers. At the centres, our customers experience digital services to enhance their appreciation of what we offer and how digital can change the way we live and work.

Load shedding has continued to strained our service delivery and increased our operational costs. We continue to upgrade our base stations to alternative power options, notably solar and diesel generators, as best as we can, within the constraints of foreign currency availability. The cost and availability of fuel adds an additional challenge where our backup power is reliant on generators. These alternate power options are intended to ensure a more reliable source of power. We are deliberately more to solar power in order to minimise our carbon footprint, in line with our sustainability objectives.

## Financial review

The interim financial information presented is based on inflation adjusted financial statements which are the primary financial statements. Historical financial statements have been presented as supplementary information to meet other user requirements. The Directors caution users of the financial statements on the usefulness of these reported financial statements, in light of distortions that arise when reporting in a hyperinflationary economy.

In the period under review, revenue increased by 95% to ZW$ 29.6 billion, anchored by the increased contribution of data services. Data revenue grew by 136% and our voice services revenue increased by 92%. Aggressive cost management resulted in earnings before interest, taxation, depreciation and amortization (EBITDA) margin improving to 55% from 47% in the comparative period.

Exchange losses arising from foreign currency denominated obligations decreased from ZW$ 15.2 billion to ZW$ 481 million. These losses arise because of the movements in the exchange rate on the foreign currency auction system and the consequent impact on the value of foreign currency liabilities, as expressed in the reporting currency. Capital investments remained severely constrained at 3% of revenue against an industry benchmark of between 10% to 15% of revenue, on account of foreign currency unavailability. Our infrastructure requires continuous improvement in order to continue to provide a service at the quality and scale demanded by our customers. This has not been possible in the current environment, due to the unavailability of foreign currency.

The Company holds a stake in Liquid Telecommunications Jersey ("LTJ") valued at US$ 145 million.

# Chairman's statement (continued)

## Debentures

Following the offer made by the Company for the early redemption of debentures, at the interbank rate, 22.46% debentures were offered for early redemption by the holders. The Company remains with an obligation for 904 778 710 debentures which are due for redemption in April 2023. 50% of the debenture liability is due from Cassava Smartech Zimbabwe Limited.

## Blocked funds

The company continues to pursue debt registration under the blocked funds framework through the Reserve Bank of Zimbabwe. The blocked funds framework was announced in 2018 to address the challenges that Companies faced in meeting their external obligations when the local currency was introduced.

## Dividend declaration

The Company has declared an interim dividend of 60 ZW cents per share for the half year ended 31 August 2021.

## Timetable

The dividend will be paid per the following timelines:

| Action | Date |
|---|---|
| Last date to trade cum dividend | Tuesday, 7 December 2021 |
| Share trades ex-dividend | Wednesday, 8 December 2021 |
| Record date | Friday, 10 December 2021 |
| Payment date (on/about) | Thursday, 16 December2021 |

## Corporate social responsibility

The impact of COVID-19 and resultant recurrent national lockdowns continue to demand the need to build sustainable ecosystems across our programmes to ensure communities are supported and can access education, health and services that bring sustainable livelihoods. During the period, we supported the national efforts to tackle the COVID-19 pandemic by running the "Fight on! Keep it up" national COVID-19 awareness campaign to bring to mind precautions to counter the effects of the prolonged pandemic. We continued to work closely with the Ministry of Health and Child Care to support their various Covid-19 initiatives to promote national health and safety.

Establishing sustainable partnerships formed a critical component of our programmes and saw Higherlife Foundation participating in education policy discussions with local legislators. This allowed Higherlife Foundation to play a catalytic role in the national strategy for education and garner public sector support for its long term programming activities.

The provision of sustainable livelihoods has been a key component of the Group's social responsibility initiatives. Our initiatives continue to create opportunities for communities to venture into climate smart agriculture through a concept termed "Pfumvudza", which is also a Government programme aimed at ensuring that climate shocks are mitigated in agricultural output.

In our Global Health Programme, we continued to support the work in responding to the maternal and neonatal health crisis through placing large-scale and high-tech critical maternity ward equipment as well as providing Emergency Obstetric and Neonatal Care (EmONC) training to eight maternity wards in Zimbabwe's central and provincial hospitals.

# Chairman's statement (continued)

The business also commissioned a base station site in Mt. Darwin under the POTRAZ Universal Services Fund (USF) programme. The business contributes 1.5% of its revenues to the Universal Services Fund, which aims to provide connectivity to underserviced communities.

## Outlook

The Group has entered a new phase on its digital transformation journey, with exciting new possibilities ahead. We remain focused on furthering the digital transformation of our products and services as we transform to a fully-fledged digital services provider (DSP). We are investing into artificial intelligence (AI), machine learning and gamification as we seek to better understand our customers' needs and expectations. Our investment is not only in our systems and platforms but also in the human capital that will drive the business to the next stage of evolution in the digital transformation journey.

## Appreciation

On behalf of the Board, I would like to extend my profound appreciation to our customers who continue to support our various businesses. I would also like to appreciate staff and our management teams for their continued passion and resilience. Our business partners remain supportive; we would like to express our appreciation to them. My gratitude also extends to my fellow Board members, without whose wise counsel, we would not be where we are today.

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

**24 November 2021**

Deloitte.

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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 2021 and the related inflation adjusted abridged statements of profit or loss and other comprehensive income, changes in equity and cash flows for the six-month period then ended, and the notes to the inflation adjusted abridged financial information.

### Directors' responsibility for interim financial reporting

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, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud and error.

### Independent Reviewer's Responsibility

Our responsibility is to express a conclusion on this consolidated financial information based on our 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" (ISRE 2410). ISRE 2410 requires us to conclude whether anything has come to our attention that causes us to believe that the abridged consolidated financial information, taken as a whole, are not prepared in accordance with the applicable financial framework. This Standard also requires us to comply with relevant ethical requirements.

A review of abridged consolidated financial information in accordance with ISRE 2410 is a limited assurance engagement. The independent reviewer performs procedures, primarily consisting of making inquiries of management and other within the entity, as appropriate, and applying analytical and other review procedures, and evaluates the evidence obtained. The procedures performed in a review are substantially less than those performed in an audit conducted in accordance with International Standards on Auditing. Accordingly, we do not express an audit opinion on this abridged consolidated financial information.

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

**Basis for Adverse Conclusion**

1. **Valuation of Property, plant and equipment and intangible assets - Non-compliance with IFRS 13 "Fair Value Measurements" in the prior and current period.**

   The Group's property, plant, and equipment and intangible assets were revalued as at 28 February 2021. These assets were valued as guided by independent professional valuers, using historical United States Dollar (USD) denominated inputs and converted into ZWL at the applicable closing exchange rates as at 28 February 2021. Whereas the determined USD values were reflective of the fair value in that currency, the conversion to ZWL, being the Group's functional currency, was not in compliance with International Financial Reporting Standard 13 - Fair Value Measurement (IFRS 13), for the below stated reasons.

   IFRS 13 defines fair value as the price that would be received to sell an asset in an orderly transaction between market participants at a measurement date. While we found the assumptions and methods used by the independent professional valuers and the directors to determine the USD valuations reasonable and appropriate in determining fair value in USD, we were unable to obtain sufficient appropriate evidence to support the appropriateness of the application of the ZWL/USD auction exchange rate in the determination of the final ZWL fair valuations presented.

   IFRS 13 requires:

- a fair value to be determined using the assumptions that market participants would use when pricing the asset, assuming market participants act in their economic best interests; and

- fair value to reflect the price that would be received to sell the asset in an orderly transaction in the principal market at the measurement date under current market conditions, regardless of whether that price is directly observable or estimated using another valuation technique.

  We were therefore unable to obtain sufficient evidence to support the appropriateness of simply applying the closing ZWL/USD auction exchange rate in determining the ZWL fair value of property, plant and equipment and intangible assets without any further adjustments to reflect how the economic conditions within the country as at that measurement date would impact the assumptions that market participants would use in pricing the items of property, plant and equipment and intangible assets in ZWL. Such matters include, but are not limited to:

- the correlation of the responsiveness of ZWL valuations of property, plant and equipment and intangible assets to the auction exchange rate and related underlying USD values; and

- the extent to which supply and demand for the items of property, plant and equipment and intangible assets reflects the implications on market dynamics of the auction exchange rate.

  Furthermore, the valuation of property, plant and equipment and intangible assets as at 31 August 2021, was determined by applying the inflation index to ZWL values determined as at 28 February 2021. However, IAS 29 par 19 requires non-monetary assets restated from the date of revaluation to, thereafter, be compared to their recoverable amount. Notwithstanding the reasonableness of the previously determined US Dollar recoverable amounts, the ZWL recoverable amount could not be accurately determined in the current period.

  Consequently, we were unable to obtain sufficient evidence to support the appropriateness of the valuation in ZWL of property, plant and equipment and intangible assets. We are also unable to determine whether any adjustments to the current period depreciation expense, deferred taxation, and revaluation adjustments in the statement of profit or loss and other comprehensive income would be necessary to correctly account for these amounts owing to lack of information on relevant inputs in ZWL.

## REPORT ON THE REVIEW OF THE INFLATION ADJUSTED ABRIDGED CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

**Basis for Adverse Conclusion (continued)**

**2. Investment in Associate- Cassava Smartech Zimbabwe Limited**

The Group has a 23% (2020: 22%) investment in Cassava Smartech Zimbabwe Limited ("Cassava") which is classified as an investment in associate which is accounted for using the equity method.

For the year ended 28 February 2021, the associate was issued with an adverse opinion. The basis of the adverse opinion relates to incorrect application of International Financial Reporting Standard (IFRS) 13 valuation principles for the valuation of Property, Plant and Equipment and Intangible Assets. The application of International Accounting Standard (IAS) 8 was also inappropriate whereby prior period errors related to hyperinflation, expected credit losses and amortisation of right of use assets identified were only adjusted for prospectively. The comparative information presented was therefore not restated as required by the standard.

Furthermore, the current period financial statements for Cassava have not yet been reviewed and consequently the financial information related to Cassava included in the Econet Wireless Zimbabwe Limited financial statements are unreviewed.

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

**3. Impact of incorrect date of application of International Accounting Standard 29 "Financial Reporting in Hyperinflationary Economies" ("IAS 29") on comparative financial information in the statement of consolidated profit and loss and other comprehensive income.**

As a result of the pronouncement by the Public Accountants and Auditors Board (PAAB), entities reporting in Zimbabwe were required to apply the requirements of IAS 29 for financial periods ending on or after 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 International Accounting Standard 21 - The Effects of Changes in Foreign Exchange Rates (IAS 21) the date of change in functional currency was determined to be 1 October 2018. Consequently, the changes in the general pricing power of the functional currency should have been applied from 1 October 2018.

In the prior period, the Group did not comply with IAS 21, as the Directors elected to comply with Statutory Instrument 33 of 2019 ("SI 33/19"). IAS 29 was only applied from 22 February 2019, and not 1 October 2018, as required by IAS 21. The Group elected to apply the requirements of IAS 21 and IAS 29 prospectively with adjustments processed directly in equity. No adjustments have been made to the comparative information relating to the statement of profit and loss and other comprehensive income.

# Independent auditor’s report (continued)

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

**Adverse Conclusion**

Based on our review, due to the significance of the matters discussed in the Basis for Adverse Conclusion paragraph, we conclude that these inflation adjusted abridged consolidated financial information do not present fairly the financial position of Econet Wireless Zimbabwe Limited as at 31 August 2021, and its financial performance and cash flows for the six months ended in accordance with IAS 34 - Interim Financial Reporting and in the manner required by the Zimbabwe Stock Exchange Listings Requirements) Rules 2019.

**Emphasis of matter**

We draw attention to Note 18 and Note 19 of the inflation adjusted abridged consolidated financial statements, which describe restatements relating to the investment in associate balances for Cassava and presentation of the financial statements. Our opinion is not further modified in respect of these matters.

**Other information**

The directors are responsible for the other information. The other information comprises the Chairman’s Statement and the historic cost financial information. The other information does not include the inflation adjusted abridged consolidated financial information and our review conclusion thereon.

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

In connection with our review of the inflation adjusted abridged 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 abridged consolidated financial statements or our knowledge obtained during the review, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have concluded that the other information is materially misstated for the same reasons set out in the Basis for Adverse conclusion section above.

Deloitte & Touche

**DELOITTE & TOUCHE**
**Per Tapiwa Chizana**
PAAB Practice Certificate No: 0444
Partner and Registered Auditor

**26 November 2021**

# Consolidated interim statement of profit or loss and other comprehensive income

**For the half year ended 31 August 2021**

| (All figures in ZW$ 000) | Note | Reviewed Inflation adjusted August 2021 | Reviewed Inflation adjusted August 2020 Restated (Note 19) | Unreviewed Historic August 2021 | Unreviewed Historic August 2020 Restated (Note 19) |
|---|---|---|---|---|---|
| **Revenue** | 6 | **29 608 996** | **15 162 653** | **27 390 560** | **6 764 324** |
| Other income | | 78 804 | 205 642 | 81 870 | 88 145 |
| Share of (loss) / profit of associates | | (19 096) | (556 618) | 214 529 | (273 553) |
| Direct network and technology operating costs | | (8 107 463) | (3 435 076) | (7 524 770) | (1 526 564) |
| Other network costs | | (1 642 575) | (866 813) | (1 540 269) | (338 153) |
| Marketing and sales expenses | | (161 442) | (386 942) | (139 345) | (140 147) |
| Impairment of trade receivables | | (117 238) | (62 803) | (107 344) | (44 131) |
| Staff costs | | (2 227 314) | (1 406 997) | (2 075 140) | (607 550) |
| Other expenses | | (1 165 842) | (1 482 636) | (1 086 869) | (629 436) |
| **Profit before interest, tax, depreciation, amortisation, impairment, exchange losses and monetary adjustment** | | **16 246 830** | **7 170 410** | **15 213 222** | **3 292 935** |
| Depreciation, amortisation and impairment of property, plant and equipment and intangibles | | (5 366 978) | (2 946 014) | (4 532 190) | (1 137 841) |
| Other impairments | | (463 225) | - | (463 225) | - |
| Exchange losses | | (481 075) | (15 234 314) | (335 410) | (6 953 622) |
| Net monetary adjustment | | (600 500) | 10 817 875 | - | - |
| Finance income | | 178 878 | 129 410 | 164 849 | 58 322 |
| Finance costs | | (325 119) | (242 211) | (307 537) | (109 759) |
| **Profit / (loss) before tax from continuing operations** | | **9 188 811** | **(304 844)** | **9 739 709** | **(4 849 965)** |
| Income tax (expense) / credit | | (2 525 552) | 125 699 | (1 937 277) | 956 888 |
| **Profit / (loss) for the period from continuing operations** | | **6 663 259** | **(179 145)** | **7 802 432** | **(3 893 077)** |
| **(Loss) / profit after tax from discontinued operations** | 7 | **(75 797)** | **51 458** | **48 363** | **(99 758)** |
| **Profit / (loss) for the period** | | **6 587 462** | **(127 687)** | **7 850 795** | **(3 992 835)** |
| | | | | | |
| **Other comprehensive (loss) / income** | | | | | |
| *Items that will not be reclassified subsequently to profit or loss* | | | | | |
| Fair value (loss) / gain on investments at FVTOCI, net of tax | | (1 529 701) | 4 751 926 | 842 529 | 8 849 660 |
| Property revaluation adjustment | | (78 678) | - | (78 678) | - |
| | | **(1 608 379)** | **4 751 926** | **763 851** | **8 849 660** |
| | | | | | |
| **Profit / (loss) for the period attributable to** | | | | | |
| Equity holders of the parent | | 6 616 893 | (146 726) | 7 836 284 | (3 955 670) |
| Non-controlling interest | | (29 431) | 19 039 | 14 511 | (37 165) |
| | | **6 587 462** | **(127 687)** | **7 850 795** | **(3 992 835)** |

# Consolidated interim statement of profit or loss and other comprehensive income (continued)

**For the half year ended 31 August 2021**

| (All figures in ZW$ 000) | Note | Reviewed Inflation adjusted August 2021 | Reviewed Inflation adjusted August 2020 Restated (Note 19) | Unreviewed Historic August 2021 | Unreviewed Historic August 2020 Restated (Note 19) |
|---|---|---|---|---|---|
| **Other comprehensive (loss) / income attributable to** | | | | | |
| Equity holders of the parent | | (1 608 379) | 4 751 926 | 763 851 | 8 849 660 |
| Non-controlling interest | | - | - | - | - |
| | | **(1 608 379)** | **4 751 926** | **763 851** | **8 849 660** |
| **Total profit or loss and other comprehensive income attributable to** | | | | | |
| Equity holders of the parent | | 5 008 514 | 4 605 200 | 8 600 135 | 4 893 990 |
| Non-controlling interest | | (29 431) | 19 039 | 14 511 | (37 165) |
| | | **4 979 083** | **4 624 239** | **8 614 646** | **4 856 825** |
| **Basic and diluted earnings / (loss) per share (cents)** | 10 | | | | |
| From continuing operations | | 275 | (8) | 321 | (155) |
| From continuing and discontinued operations | | 272 | (6) | 323 | (159) |

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 meet other user requirements. As a result, the auditors have not expressed a review conclusion on this historical information.

# Consolidated interim statement of financial position

**As at 31 August 2021**

| (All figures in ZW$ 000) | Note | Reviewed Inflation adjusted August 2021 | Reviewed Inflation adjusted February 2021 Restated (Note 18) | Unreviewed Historic August 2021 | Unreviewed Historic February 2021 Restated (Note 18) |
|---|---|---|---|---|---|
| **ASSETS** | | | | | |
| **Non-current assets** | | | | | |
| Property, plant and equipment | | 28 267 647 | 32 373 687 | 23 969 905 | 27 325 560 |
| Right-of-use assets | | 1 708 960 | 1 039 538 | 1 548 597 | 879 170 |
| Investment properties | | 123 166 | 141 708 | 123 166 | 119 847 |
| Intangible assets | | 7 267 017 | 7 628 720 | 6 048 771 | 6 353 805 |
| Investment in associates | | 3 329 556 | 3 312 547 | 1 094 463 | 847 104 |
| Long-term receivables | | 2 216 079 | 2 915 244 | 2 216 079 | 2 465 514 |
| Financial assets at fair value through other comprehensive income | 11 | 15 560 629 | 14 404 993 | 15 560 629 | 12 182 756 |
| Financial assets at amortised cost | | 7 777 | 9 086 | 7 777 | 7 684 |
| **Total non-current assets** | | **58 480 831** | **61 825 523** | **50 569 387** | **50 181 440** |
| **Current assets** | | | | | |
| Inventories | | 1 289 839 | 2 347 979 | 1 134 783 | 1 866 161 |
| Income tax receivable | | - | 492 821 | - | 416 794 |
| Trade and other receivables | | 11 113 837 | 8 724 903 | 8 925 941 | 5 412 990 |
| Financial assets at fair value through profit or loss | | 2 460 | 2 909 | 2 460 | 2 460 |
| Cash and cash equivalents | | 11 449 559 | 4 568 263 | 11 449 559 | 3 863 524 |
| | | **23 855 695** | **16 136 875** | **21 512 743** | **11 561 929** |
| Assets classified as held for sale | | - | 844 043 | - | 713 834 |
| **Total currents assets** | | **23 855 695** | **16 980 918** | **21 512 743** | **12 275 763** |
| **Total assets** | | **82 336 526** | **78 806 441** | **72 082 130** | **62 457 203** |
| **EQUITY AND LIABILITIES** | | | | | |
| **Capital and reserves** | | | | | |
| Share capital and share premium | | 4 800 852 | 4 800 852 | 96 371 | 96 371 |
| Retained earnings | | 37 837 958 | 33 977 727 | 5 293 930 | 71 697 |
| Other reserves | | 13 473 963 | 15 097 705 | 42 214 171 | 41 465 683 |
| **Equity attributable to equity holders of the parent** | | **56 112 773** | **53 876 284** | **47 604 472** | **41 633 751** |
| Non-controlling interest | | 235 185 | 264 616 | 217 789 | 203 278 |
| **Total equity** | | **56 347 958** | **54 140 900** | **47 822 261** | **41 837 029** |
| **Non-current liabilities** | | | | | |
| Deferred tax liability | | 4 688 915 | 5 353 752 | 3 446 164 | 4 496 671 |
| Lease liabilities | | 1 167 960 | 772 898 | 1 167 960 | 653 664 |
| Interest-bearing debt | 12 | 4 432 159 | 6 407 132 | 4 432 159 | 5 418 713 |
| Provisions | | 437 112 | 423 815 | 437 112 | 358 434 |
| **Total non-current liabilities** | | **10 726 146** | **12 957 597** | **9 483 395** | **10 927 482** |

# Consolidated interim statement of financial position (continued)

**As at 31 August 2021**

| (All figures in ZW$ 000) | Note | Reviewed Inflation adjusted | | Unreviewed Historic | |
|---|---|---|---|---|---|
| | | **August 2021** | February 2021 Restated (Note 18) | **August 2021** | February 2021 Restated (Note 18) |
| **Current liabilities** | | | | | |
| Deferred revenue | | 1 097 485 | 750 600 | 611 537 | 425 722 |
| Provisions | | 115 343 | 43 331 | 115 343 | 36 646 |
| Trade and other payables | | 11 758 843 | 10 735 845 | 11 758 843 | 9 079 642 |
| Lease liabilities | | 268 381 | 178 168 | 268 381 | 150 682 |
| Interest-bearing debt | 12 | 1 275 196 | - | 1 275 196 | - |
| Income tax payable | | 747 174 | - | 747 174 | - |
| **Total current liabilities** | | **15 262 422** | **11 707 944** | **14 776 474** | **9 692 692** |
| **Total liabilities** | | **25 988 568** | **24 665 541** | **24 259 869** | **20 620 174** |
| **Total equity and liabilities** | | **82 336 526** | **78 806 441** | **72 082 130** | **62 457 203** |

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 meet other user requirements. As a result, the auditors have not expressed a review conclusion on this historical information.

**Dr. D. Mboweni**
**Chief Executive Officer**

**Mr. R. Chimanikire CA(Z)**
**Finance Director**

**24 November 2021**

# Abridged consolidated interim statement of changes in equity

**For the half year ended 31 August 2021**

| | Inflation adjusted | | | | | |
|---|---|---|---|---|---|---|
| (All figures in ZW$ 000) | Share capital and share premium | Retained earnings / (accumulated losses) | Other reserves | **Total** | Non-controlling interest | **Total** |
| **Balance at 29 February 2020** | **3 075 373** | **35 937 647** | **10 402 761** | **49 415 781** | **414 716** | **49 830 497** |
| (Loss) / profit for the period | - | (146 726) | - | **(146 726)** | 19 039 | **(127 687)** |
| Other movements through other comprehensive income | - | - | 4 751 926 | **4 751 926** | - | **4 751 926** |
| **Balance at 31 August 2020** | **3 075 373** | **35 790 921** | **15 154 687** | **54 020 981** | **433 755** | **54 454 736** |
| **Balance at 28 February 2021** | **4 800 852** | **34 225 319** | **15 127 268** | **54 153 439** | **264 616** | **54 418 055** |
| Restatement (Note 18) | - | (247 592) | (29 563) | **(277 155)** | - | **(277 155)** |
| **Balance at 28 February 2021 (Restated)** | **4 800 852** | **33 977 727** | **15 097 705** | **53 876 284** | **264 616** | **54 140 900** |
| Profit / (loss) for the period | - | 6 616 893 | - | **6 616 893** | (29 431) | **6 587 462** |
| | **-** | **(2 756 662)** | **(1 623 742)** | **(4 380 404)** | | **(4 380 404)** |
| Purchase of treasury shares | - | (35 357) | - | (35 357) | - | (35 357) |
| Dividend paid | - | (2 721 305) | - | (2 721 305) | - | (2 721 305) |
| Share of other equity movements of associate | - | - | (15 363) | (15 363) | - | (15 363) |
| Other movements through other comprehensive income | - | - | (1 608 379) | (1 608 379) | - | (1 608 379) |
| **Balance at 31 August 2021** | **4 800 852** | **37 837 958** | **13 473 963** | **56 112 773** | **235 185** | **56 347 958** |

| | Historic | | | | | |
|---|---|---|---|---|---|---|
| (All figures in ZW$ 000) | Share capital and share premium | Retained earnings / (accumulated losses) | Other reserves | **Total** | Non-controlling interest | **Total** |
| **Balance at 29 February 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)** |
| Other movements through other comprehensive income | - | - | 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** |
| **Balance at 28 February 2021** | **96 371** | **(1 646)** | **41 388 557** | **41 483 282** | **203 278** | **41 686 560** |
| Restatement (Note 18) | - | 73 343 | 77 126 | **150 469** | - | **150 469** |
| **Balance at 28 February 2021 (Restated)** | **96 371** | **71 697** | **41 465 683** | **41 633 751** | **203 278** | **41 837 029** |
| Profit / (loss) for the period | - | 7 836 284 | - | **7 836 284** | 14 511 | **7 850 795** |
| | **-** | **(2 614 051)** | **748 488** | **(1 865 563)** | **-** | **(1 865 563)** |
| Purchase of treasury shares | - | (35 357) | - | (35 357) | - | (35 357) |
| Dividend paid | - | (2 578 694) | - | (2 578 694) | - | (2 578 694) |
| Share of other equity movements of associate | - | - | (15 363) | (15 363) | - | (15 363) |
| Other movements through other comprehensive income | - | - | 763 851 | 763 851 | - | 763 851 |
| **Balance at 31 August 2021** | **96 371** | **5 293 930** | **42 214 171** | **47 604 472** | **217 789** | **47 822 261** |

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 meet other user requirements. As a result, the auditors have not expressed a review conclusion on this historical information.

# Abridged consolidated interim statement of cash flows

**For the half year ended 31 August 2021**

| (All figures in ZW$ 000) | Reviewed Inflation adjusted | | Unreviewed Historic | |
|---|---|---|---|---|
| | **August 2021** | August 2020 | **August 2021** | August 2020 |
| **Operating activities** | | | | |
| Cash generated from operations | 14 693 420 | 1 132 820 | 15 042 138 | 1 500 584 |
| Income taxes paid | (1 800 221) | (1 395 811) | (1 710 889) | (420 941) |
| **Net cash flows from / (used in) operating activities** | **12 893 199** | **(262 991)** | **13 331 249** | **1 079 643** |
| **Investing activities** | | | | |
| Acquisition of property, plant and equipment | (922 103) | (237 127) | (889 743) | (79 401) |
| Proceeds from disposal of assets held for sale | 643 048 | - | 557 662 | - |
| Acquisition of investment property | - | (58 150) | - | (39 282) |
| Acquisition of financial assets at fair value through other comprehensive income | (2 655 464) | (246 442) | (2 505 470) | (97 020) |
| Acquisition of shares in associate | (51 481) | (111 677) | (48 194) | (44 323) |
| **Net cash flows used in investing activities** | **(2 986 000)** | **(653,396)** | **(2 885 745)** | **(260 026)** |
| **Financing activities** | | | | |
| Purchase of treasury shares | (35 357) | - | (35 357) | - |
| Finance costs paid | (78 280) | (55 184) | (71 817) | (18 478) |
| Dividend paid | (2 721 305) | - | (2 578 694) | - |
| Repayment of short term borrowings | - | (6 379) | - | (1 834) |
| Repayment of right-of-use asset lease liabilities | (190 961) | (7 132) | (173 601) | (2 388) |
| **Net cash flows used in financing activities** | **(3 025 903)** | **(68 695)** | **(2 859 469)** | **(22 700)** |
| **Net increase / (decrease) in cash and cash equivalents** | **6 881 296** | **(985 082)** | **7 586 035** | **796 917** |
| Cash and cash equivalents at beginning of period | 4 568 263 | 3 123 986 | 3 863 524 | 626 679 |
| **Cash and cash equivalents at end of period** | **11 449 559** | **2 138 904** | **11 449 559** | **1 423 596** |

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 meet other user requirements. As a result, the auditors have not expressed a review conclusion on this historical information.

# Notes to the abridged consolidated interim financial statements

**For the half year ended 31 August 2021**

## 1. Directors' responsibility for financial reporting

The Directors of Econet Wireless Zimbabwe Limited ("the Company") and its subsidiaries ("the Group") are responsible for the maintenance of adequate accounting records, the preparation, integrity and fair presentation of the abridged consolidated interim financial statements. The Group's independent external auditors, Messrs Deloitte & Touche Chartered Accountants (Zimbabwe), have reviewed the abridged consolidated interim financial statements and their report appears on pages 6 to 9 of these abridged consolidated interim financial statements. The auditors have performed their review in accordance with International Standard on Review Engagements (ISRE) 2410.

In as much as all reasonable care and attention has been taken by the Directors to present information that is meaningful and relevant to the users of the financial statements, it is not always possible to present this information in a way that is not contradictory to International Financial Reporting Standards when reporting the multiple factors in the environment, including but not limited to the legislative framework and economic variables affecting companies operating in Zimbabwe. This has resulted in certain qualifications to these abridged consolidated interim financial statements. Economic variables changed at an extremely fast pace during the period under review. These circumstances require care and attention by users of financial statements in their interpretation of financial information presented under such conditions.

## 2. General information

The main business of the Group is mobile telecommunications and related value added services. The abridged consolidated interim financial statements 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.

## 3. Statement of compliance

The abridged consolidated interim financial statements are prepared in compliance with the framework concepts and measurement and recognition requirements of International Financial Reporting Standards (IFRS) promulgated by the International Accounting Standards Board (IASB), which include standards and interpretations approved by the IASB as well as the Standing Interpretations Committee (SIC). These interim financial statements have been prepared to comply with the disclosure requirements of International Accounting Standard (IAS) 34 - Interim Financial Reporting.

The abridged consolidated interim financial statements should be read in conjunction with the financial statements for the year ended 28 February 2021 which are available on the Company's website.

## 4. 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 2021 which however had no material impact on these results.

# Notes to the abridged consolidated interim financial statements
(continued)

**For the half year ended 31 August 2021**

## 4. Accounting policies (continued)

### 4.1 Application of IAS 29 - Financial Reporting in Hyperinflationary Economies

These abridged consolidated interim financial statements have been prepared in accordance with IAS 29 as if the economy had been hyperinflationary from 1 October 2018 as prescribed by the Public Accountants and Auditors Board (PAAB).

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 meet other user requirements. As a result, the auditors have not expressed a review conclusion on the historical 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 half year ended 31 August 2021 are as follows;

| | CPI | Conversion factor |
|---|---|---|
| 1 October 2018 | 64.06 | 49.82 |
| 28 February 2019 | 100.00 | 31.91 |
| 29 February 2020 | 640.16 | 4.98 |
| 31 August 2020 | 2 123.97 | 1.50 |
| 28 February 2021 | 2 698.89 | 1.18 |
| 31 August 2021 | 3 191.19 | 1.00 |

Non-monetary assets and liabilities carried at historic cost have been restated to reflect the change in the general price index from 1 October 2018 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 statement of profit or loss have been restated by applying the change in the general price index from the dates when the transactions were initially earned or incurred. A net monetary adjustment was recognised in the statement of profit or loss. All items in the statement of cash flows are expressed in terms of the general price index at the end of the reporting period.

# Notes to the abridged consolidated interim financial statements
(continued)

**For the half year ended 31 August 2021**

## 5. Abridged segment analysis

| | Inflation adjusted | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | 31 August 2021 | | | | 31 August 2020* | | | |
| (All figures in ZW$ 000) | Cellular network operations | Other segments | Net eliminations and adjustments | **Total** | Cellular network operations | Other segments | Net eliminations and adjustments | **Total** |
| Revenue from external customers | 29 608 996 | - | - | **29 608 996** | 15 162 653 | - | - | **15 162 653** |
| Depreciation, amortisation and impairment of property, plant and equipment and intangibles | (5 366 978) | - | - | **(5 366 978)** | (2 946 014) | - | - | **(2 946 014)** |
| Segment profit / (loss) | 5 850 806 | 2 377 374 | (1 564 921) | **6 663 259** | 1 240 560 | (1 419 705) | - | **(179 145)** |
| Segment assets | 65 414 368 | 22 225 618 | (5 303 460) | **82 336 526** | 62 946 492 | 22 000 597 | (65 689) | **84 881 400** |
| Segment liabilities | (19 398 823) | (11 482 464) | 4 892 719 | **(25 988 568)** | (22 724 509) | (8 374 828) | 535 511 | **(30 563 826)** |

| | Historic | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | 31 August 2021 | | | | 31 August 2020* | | | |
| (All figures in ZW$ 000) | Cellular network operations | Other segments | Net eliminations and adjustments | **Total** | Cellular network operations | Other segments | Net eliminations and adjustments | **Total** |
| Revenue from external customers | 27 390 560 | - | - | **27 390 560** | 6 764 324 | - | - | **6 764 324** |
| Depreciation, amortisation and impairment of property, plant and equipment and intangibles | (4 532 190) | - | - | **(4 532 190)** | (1 137 841) | - | - | **(1 137 841)** |
| Segment profit / (loss) | 7 849 099 | 1 518 254 | (1 564 921) | **7 802 432** | (1 599 480) | (2 293 597) | - | **(3 893 077)** |
| Segment assets | 57 500 888 | 19 661 540 | (5 080 298) | **72 082 130** | 16 784 914 | 13 940 000 | (31 451) | **30 693 463** |
| Segment liabilities | (17 672 904) | (11 482 464) | 4 895 499 | **(24 259 869)** | (10 928 515) | (5 574 058) | 152 770 | **(16 349 803)** |

* The prior year segment analysis has been re-presented to exclude the beverages segment which was discontinued as disclosed in Note 7.

# Notes to the abridged consolidated interim financial statements
(continued)

**For the half year ended 31 August 2021**

## 6. Revenue

| (All figures in ZW$ 000) | Inflation adjusted | | Historic | |
|---|---|---|---|---|
| | **August 2021** | August 2020 | **August 2021** | August 2020 |
| **Revenue from rendering of services** | | | | |
| - Local airtime | 10 973 185 | 5 767 101 | 10 146 972 | 2 595 873 |
| - Interconnection fees and roaming | 2 014 300 | 1 470 691 | 1 858 255 | 675 591 |
| - Data and internet services | 10 196 194 | 4 333 587 | 9 453 949 | 1 895 347 |
| - Value added services and short message services (SMS) | 4 000 805 | 2 491 882 | 3 689 486 | 1 104 317 |
| - Other service revenue | 2 126 585 | 1 046 966 | 1 961 061 | 471 175 |
| **Revenue from sale of goods** | | | | |
| - Handset sales and accessories | 297 927 | 52 426 | 280 837 | 22 021 |
| | **29 608 996** | **15 162 653** | **27 390 560** | **6 764 324** |

Revenue from rendering of services is recognised when the related services are rendered (at a point in time). Revenue from the sale of goods is recognised when control of the goods has transferred, typically at the point the customer purchases the goods at the retail outlet or upon delivery (at a point in time).

## 7. Discontinued operations

As reported in the financial statements for the year ended 28 February 2021, the Board resolved to dispose assets constituting a significant portion of Mutare Bottling Company (Private) Limited.. The assets constituted the beverages segment of the Group. The disposal is consistent with the Group's long-term policy to focus its activities on the Group's other businesses.

Control of the assets passed to the buyer at the beginning of the current financial year. The results of the discontinued operations, included in profit or loss are as follows:

| (All figures in ZW$ 000) | Inflation adjusted | | Historic | |
|---|---|---|---|---|
| | **August 2021** | August 2020 | **August 2021** | August 2020 |
| **Revenue** | **-** | **77 389** | **-** | **33 508** |
| Operating expenses | (225 678) | (25 931) | (94 439) | (133 266) |
| **(Loss) / profit before tax** | **(225 678)** | **51 458** | **(94 439)** | **(99 758)** |
| Income tax credit | 149 881 | - | 142 802 | - |
| **(Loss) / profit from discontinued operations** | **(75 797)** | **51 458** | **48 363** | **(99 758)** |

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

| (All figures in ZW$ 000) | Reviewed Inflation adjusted | | Unreviewed Historic | |
|---|---|---|---|---|
| | **August 2021** | August 2020 | **August 2021** | August 2020 |
| Depreciation of property, plant and equipment | 5 006 466 | 2 691 442 | 4 227 155 | 1 039 503 |
| Amortisation of intangible assets | 360 512 | 254 572 | 305 035 | 98 338 |

# Notes to the abridged consolidated interim financial statements
(continued)

**For the half year ended 31 August 2021**

## 9. Commitments for capital expenditure

| | Inflation adjusted | | Historic | |
|---|---|---|---|---|
| (All figures in ZW$ 000) | **August 2021** | August 2020 | **August 2021** | August 2020 |
| Authorised and contracted for | 929 097 | 399 011 | 929 097 | 265 571 |
| Authorised and not contracted for | 10 045 225 | 2 893 852 | 10 045 225 | 1 926 069 |
| | **10 974 322** | **3 292 863** | **10 974 322** | **2 191 640** |

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

## 10. Earnings / (loss) per share

| | Inflation adjusted | | Historic | |
|---|---|---|---|---|
| | **August 2021** | August 2020 | **August 2021** | August 2020 |
| Profit / (loss) for the period attributable to equity holders of the parent (ZW$ 000) for basic earnings per share | | | | |
| Continuing operations | 6 692 690 | (198 184) | 7 787 921 | (3 855 912) |
| Continuing and discontinued operations | 6 616 893 | (146 726) | 7 836 284 | (3 955 670) |
| Adjustments for capital items | | | | |
| - Loss / (profit) on disposal of property, plant and equipment | 70 071 | (95) | 61 517 | (49) |
| - Impairment of property, plant and equipment | 3 919 | 481 | 3 919 | 227 |
| - Tax effect on adjustments | (19 052) | (99) | (16 176) | (44) |
| Profit / (loss) for the period attributable to equity holders of the parent (ZW$ 000) for headline earnings per share (continuing and discontinued operations) | 6 671 831 | (146 439) | 7 885 544 | (3 955 536) |
| Weighted average number of ordinary shares for the purposes of basic and diluted earnings per share calculation ('000) | 2 429 305 | 2 483 005 | 2 429 305 | 2 483 005 |
| **Basic earnings / (loss) per share (cents)** | | | | |
| Continuing operations | 275 | (8) | 321 | (155) |
| Continuing and discontinued operations | 272 | (6) | 323 | (159) |
| **Headline earnings / (loss) per share (cents)** (continuing and discontinued operations) | 275 | (6) | 325 | (159) |

There were no instruments with a dilutive effect on earnings per share at the end of the current and prior period.

# Notes to the abridged consolidated interim financial statements
(continued)

**For the half year ended 31 August 2021**

## 11. Financial assets at fair value through other comprehensive income

| (All figures in ZW$ 000) | Inflation adjusted | | Historic | |
|---|---|---|---|---|
| | **August 2021** | August 2020 | **August 2021** | August 2020 |
| **Balance at beginning of period** | **14 404 993** | **2 871 831** | **12 182 756** | **2 428 798** |
| Additions | 2 655 464 | - | 2 505 470 | - |
| Fair value (loss) / gain | (1 499 828) | 11 533 162 | 872 403 | 9 753 958 |
| **Balance at end of period** | **15 560 629** | **14 404 993** | **15 560 629** | **12 182 756** |
| **Analysis** | | | | |
| Listed shares | 3 103 911 | 22 668 | 3 103 911 | 19 171 |
| Unlisted shares | 12 456 718 | 14 382 325 | 12 456 718 | 12 163 585 |
| | **15 560 629** | **14 404 993** | **15 560 629** | **12 182 756** |

Investments in equity instruments are not held for trading. Instead, they are held for strategic purposes. Accordingly, the Directors have elected to designate the equity investments as at fair value through other comprehensive income as they believe that recognising short-term fluctuations in the investments' fair value in profit or loss would not be consistent with the Group's strategy.

The investment in listed shares relates to shares listed on the Zimbabwe Stock Exchange. The fair value of the shares is based on the Zimbabwe Stock Exchange published share prices.

Unlisted shares relate to an investment in Liquid Telecommunications Holdings domiciled in Mauritius. The fair value of the investment amounting to US$ 145 million (equivalent to ZW$ 12.2 billion) was determined at 28 February 2021 by an independent professional valuer using the earnings before interest, taxation, depreciation and amortisation (EBITDA) multiple valuation technique. The Directors have determined that the fair determined at 28 February 2021 approximates fair value of the investment at 31 August 2021.

The EBITDA valuation technique is a comparable valuation method that relies on a multiple of EBITDA derived from listed peers to arrive at an entity's enterprise value. The EBITDA multiple which is a significant input, takes into account management's experience and knowledge of market conditions, size of operations, debt and geographical location amongst other comparable variables. The higher the EBITDA multiple, the higher the fair value. If the EBITDA multiple was higher by 5% while all other variables were held constant, the carrying amount of the investment would increase by US$ 11 million (ZW$ 945 million).

Inputs to the valuation of the investment in LTH are classified as Level 3 inputs i.e. inputs which are not based on observable market data. There were no transfers between Level 2 and Level 3 fair value measurements, and no transfers into or out of Level 1 fair value measurements during both current and prior period.

## 12. Interest-bearing debt

Interest bearing debt relates to 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.

Following an offer made by the Company for the early redemption of debentures at the interbank rate, 22.46% debentures were in August 2021 offered for early redemption by the holders. The carrying amount (ZW$ 1.3 billion (US$ 14.8 million)) of the debentures offered for early redemption has been reclassified from non-current to current liabilities.

The Company remains with a long term obligation for 906 184 293 debentures which are due for redemption in April 2023.

# Notes to the abridged consolidated interim financial statements
(continued)

**For the half year ended 31 August 2021**

## 13. Financial instruments

The carrying amounts of financial instruments as disclosed in the statement of financial position approximate their fair values.

### Fair value hierarchy

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique;

Level 1: Quoted (unadjusted) prices in active markets for identical assets or liabilities;

Level 2: Other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly; and

Level 3: Techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

| | Inflation adjusted | | | |
|---|---|---|---|---|
| (All figures in ZW$ 000) | **Total** | Level 1 | Level 2 | Level 3 |
| **At 31 August 2021** | | | | |
| Financial assets at fair value through OCI | **15 560 629** | 3 103 911 | - | 12 456 718 |
| Financial assets at fair value through profit or loss | **2 460** | 2 460 | - | - |
| | **15 563 089** | **3 106 371** | **-** | **12 456 718** |
| **At 28 February 2021** | | | | |
| Financial assets at fair value through OCI | **14 404 993** | 22 668 | - | 14 382 325 |
| Financial assets at fair value through profit or loss | **2 909** | 2 909 | - | - |
| | **14 407 902** | **25 577** | **-** | **14 382 325** |

| | Historic | | | |
|---|---|---|---|---|
| (All figures in ZW$ 000) | **Total** | Level 1 | Level 2 | Level 3 |
| **At 31 August 2021** | | | | |
| Financial assets at fair value through OCI | **15 560 629** | 3 103 911 | - | 12 456 718 |
| Financial assets at fair value through profit or loss | **2 460** | 2 460 | - | - |
| | **15 563 089** | **3 106 371** | **-** | **12 456 718** |
| **At 28 February 2021** | | | | |
| Financial assets at fair value through OCI | **12 182 756** | 19 171 | - | 12 163 585 |
| Financial assets at fair value through profit or loss | **2 460** | 2 460 | - | - |
| | **12 185 216** | **21 631** | **-** | **12 163 585** |

There were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into or out of Level 3 fair value measurements in both current and prior year.

## 14. Contingent liabilities

There are no material changes to contingent liabilities from those that were communicated in the financial statements for the year ended 28 February 2021.

# Notes to the abridged consolidated interim financial statements
(continued)

**For the half year ended 31 August 2021**

## 15. Events after the reporting date

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

### Depreciation of the Zimbabwe dollar

Subsequent to the period end, the Zimbabwe dollar (ZWD) significantly depreciated against the United States dollar (USD). The abridged consolidated interim financial statements were authorised for issue on 23 November 2021 when the exchange rate was USD 1 to ZWD 105.70.

The depreciation of the exchange rate from USD 1 to ZWD 85.91 at the reporting date, 31 August 2021, increases the impact of exchange losses recognised in the statement or profit and loss and other comprehensive income.

### Effects of Covid-19 on the business

The Covid-19 outbreak continues to unravel and during the financial period, the economy operated at various levels of lockdowns. The Group continues to adapt its model to best respond to business operational changes brought about by the pandemic 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.

Implications of the pandemic on the broader economic scale continue to unfold and as a result, the Directors are unable to reasonably quantify the related impact on the Group in the foreseeable future.

## 16. Related party transactions

### Transactions

| | Inflation adjusted | | Historic | |
|---|---|---|---|---|
| (All figures in ZW$ 000) | **August 2021** | August 2020 | **August 2021** | August 2020 |
| **Transactions with members of Econet Global Limited Group** | | | | |
| Purchase of goods and services from the parent | - | (453 009) | - | (202 155) |
| Sale of goods and services to fellow subsidiaries | 1 074 449 | 1 043 265 | 989 799 | 486 069 |
| Sale of goods and services to associates | 1 042 055 | 975 642 | 1 006 530 | 431 911 |
| Purchase of goods and services from associates | (1 167 378) | (556 517) | (1 067 576) | (255 803) |
| Purchase of goods and services from fellow subsidiaries | (5 288 222) | (2 284 904) | (4 900 938) | (1 008 708) |

### Balances

| | Inflation adjusted | | Historic | |
|---|---|---|---|---|
| (All figures in ZW$ 000) | **August 2021** | August 2020 | **August 2021** | August 2020 |
| Amounts payable to the parent | (540 224) | (388 231) | (540 224) | (328 339) |
| Amounts owed to fellow subsidiaries | (390 533) | (237 583) | (390 533) | (200 931) |
| Amounts receivable from fellow subsidiaries | 668 164 | 679 404 | 668 164 | 574 593 |
| Amounts owed to associates | (115 676) | (79 915) | (115 676) | (67 587) |
| Amounts receivable from associates | 3 268 336 | 4 310 886 | 3 268 336 | 3 645 852 |
| Amounts receivable from Econet Wireless Zimbabwe Group Pension Fund | 143 027 | 169 116 | 143 027 | 143 027 |
| **Net amount receivable** | **3 033 093** | **4 453 677** | **3 033 093** | **3 766 615** |

# Notes to the abridged consolidated interim financial statements
(continued)

**For the half year ended 31 August 2021**

## 16. Related party transactions (continued)

During the period, ZW$ 459 million (2020: nil) receivable from a fellow subsidiary and associates was impaired to profit or loss as potentially irrecoverable. The amounts are included in other impairments.

The Group retains legal claims to recover the balance due should the financial circumstances of the counter parties improve.

The assessment of the recoverability of receivables is undertaken each financial year through examining the financial position of the related parties and the market in which the related parties operate.

## 17. Going concern

The prevailing macro-economic conditions within the country's economy continue to negatively affect 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 amounting to ZW$ 481 million emanating from foreign currency denominated obligations which largely accrued before promulgation of Statutory Instrument (S.I.) 33 of 2019. S.I. 33 among other things, prescribed parity between the US dollar and local mediums of exchange as at and up to the effective date of 22 February 2019 for accounting and other purposes. 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. Management continue to pursue the registration and settlement of the legacy debt on a 1 to 1 basis by the RBZ.

The Group's exposure in foreign currency denominated obligations is mitigated by an equity instrument held by the Company in Liquid Telecommunications Holdings amounting to US$ 145 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.

The Directors have reviewed the Group's budgets and cash flow forecasts for the next twelve months 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.

# Notes to the abridged consolidated interim financial statements
(continued)

**For the half year ended 31 August 2021**

## 18. Restatement of investment in Cassava Smartech Zimbabwe Limited (Cassava)

The Group has a 22.7% investment in Cassava which it accounts for as an investment in associate using the equity method. At the date of approval of the consolidated financial statements for the year ended 28 February 2021 the financial statements for Cassava had not been finalised. In order to meet regulatory financial reporting timelines, the Directors resolved to account for the share of profit and other comprehensive income from the associated using unaudited financial results.

The audited financial statements for Cassava were published in October 2021 and material differences were identified between the final audited Cassava financial results and the unaudited results accounted by the Group. The main differences arose from period end adjustments which had not been concluded on at the time of publication. The Directors have resolved to adjust the financial statements retrospectively by restating the financial statements for the year ended 28 February 2021 as follows:

| (All figures in ZW$ 000) | Balance at 28 February 2021 | Restatement | Balance at 28 Feb 2021 (Restated) |
|---|---|---|---|
| | **Inflation adjusted** | | |
| Retained earnings | 34 225 319 | (247 592) | 33 977 727 |
| Other reserves | 15 127 268 | (29 563) | 15 097 705 |
| Investments in associates | 3 589 702 | (277 155) | 3 312 547 |
| | **Historic** | | |
| (Accumulated losses) / retained earnings | (1 646) | 73 343 | 71 697 |
| Other reserves | 41 388 557 | 77 126 | 41 465 683 |
| Investments in associates | 696 635 | 150 469 | 847 104 |

The impact of the adjustments on profit or loss, other comprehensive income and earnings per share for the year ended 28 February 2021 are as follows;

| (All figures in ZW$ 000) | Amount at 28 February 2021 | Restatement | Balance at 28 Feb 2021 (Restated) |
|---|---|---|---|
| | **Inflation adjusted** | | |
| Share of profit / (loss) of associates | 151 321 | (247 592) | (96 271) |
| Profit for the year | 989 114 | (247 591) | 741 523 |
| Other comprehensive income | 4 516 691 | (88 924) | 4 427 767 |
| Basic and diluted earnings per share (cents) | 41 | (10) | 31 |
| | **Historic** | | |
| Share of (loss) / profit of associates | (125 094) | 73 343 | (51 751) |
| Profit for the year | 1 159 064 | 73 343 | 1 232 407 |
| Other comprehensive income | 31 813 975 | 74 996 | 31 888 971 |
| Basic and diluted earnings per share (cents) | 50 | 3 | 53 |

# Notes to the abridged consolidated interim financial statements
(continued)

**For the half year ended 31 August 2021**

## 19. Correction of prior period error on analysis and presentation of expenses

The Group analyses expenses recognised in profit or loss using the nature of expense method. During the period, the Group reassessed the relevance and reliability of the presentation of expenses in the statement of profit or loss to an understanding of the Group's financial performance. Based on the reassessment, the Group determined that the presentation was no longer reliable and appropriate for inter-period comparability, nor strictly in compliance with the presentation requirements of IFRSs.

The following changes have been made to the presentation of the statement profit or loss;

| Item | Change |
|---|---|
| Gross profit | No longer presented |
| Profit from operations | No longer presented |
| Cost of sales | Presented as "Direct network and technology operating costs" to enhance an understanding of the nature of the expense. |
| Network costs | Presented as "Other network costs" |
| General administrative and other expenses | Disaggregated into the following to enhance an understanding of the nature of the expense;<br>- Impairment of trade receivables;<br>- Staff costs; and<br>- Other expenses. |
| Profit before interest, taxation, depreciation, amortisation, impairment | Presented as "Profit before interest, taxation, depreciation, amortisation, impairment, exchange losses and monetary adjustment" |
| Profit or loss before net finance costs | No longer presented |

# Notes to the abridged consolidated interim financial statements
(continued)

**For the half year ended 31 August 2021**

## 19. Correction of prior period error on analysis and presentation of expenses (continued)

The restated statement of profit or loss for the half year ended 31 August 2020 is detailed below;

| | Inflation adjusted | | | |
|---|---|---|---|---|
| (All figures in ZW$ 000) | Previously presented | Adjustments | **Restated** | Nature of change in expense description where applicable |
| **Revenue** | **15 162 653** | **-** | **15 162 653** | |
| Other income | - | 205 642 | 205 642 | Disaggregated to present nature of expense |
| Share of loss of associates | - | (556 618) | (556 618) | |
| Direct network and technology operating costs | - | (3 435 076) | (3 435 076) | |
| Other network expenses | - | (866 813) | (866 813) | |
| Marketing and sales expenses | - | (386 942) | (386 942) | |
| Impairment of trade receivables | - | (62 803) | (62 803) | |
| Staff costs | - | (1 406 997) | (1 406 997) | |
| Other expenses | - | (1 482 636) | (1 482 636) | |
| **Profit before interest, taxation, depreciation, amortisation and impairment** | **7 170 410** | **-** | **7 170 410** | **Profit before interest, taxation, depreciation, amortisation, impairment, exchange losses and monetary adjustment** |
| Depreciation, amortisation and impairment of property, plant and equipment and intangibles | (2 946 014) | - | (2 946 014) | |
| Exchange losses | (15 234 314) | - | (15 234 314) | |
| Net monetary adjustment | 10 817 875 | - | 10 817 875 | |
| **Loss before net finance costs** | **(192 043)** | **-** | **-** | Total no longer presented |
| Finance income | 129 410 | - | 129 410 | |
| Finance costs | (242 211) | - | (242 211) | |
| **Loss before tax from continuing operations** | **(304 844)** | **-** | **(304 844)** | |
| Income tax credit | 125 699 | - | 125 699 | |
| **Loss for the year from continuing operations** | **(179 145)** | **-** | **(179 145)** | |
| Profit after tax from discontinued operations | 51 458 | - | 51 458 | |
| **Loss profit for the year** | **(127 687)** | **-** | **(127 687)** | |

# Notes to the abridged consolidated interim financial statements
(continued)

**For the half year ended 31 August 2021**

## 19. Correction of prior period error on analysis and presentation of expenses (continued)

| | Historic | | | |
|---|---|---|---|---|
| (All figures in ZW$ 000) | Previously presented | Adjustments | **Restated** | Nature of change in expense description where applicable |
| **Revenue** | **6 764 324** | **-** | **6 764 324** | |
| Cost of sales and external services sold | - | 88 145 | 88 145 | Disaggregated to present nature of expense |
| Other income | - | (273 553) | (273 553) | |
| Share of loss of associates | - | (1 526 564) | (1 526 564) | |
| General administrative and other expenses | - | (338 153) | (338 153) | |
| Impairment of trade receivables | - | (140 147) | (140 147) | |
| Staff costs | - | (44 131) | (44 131) | |
| Marketing and sales expenses | - | (607 550) | (607 550) | |
| Network expenses | - | (629 436) | (629 436) | |
| Other expenses | - | (629 436) | (629 436) | |
| **Profit before interest, taxation, depreciation, amortisation and impairment** | **3 292 935** | **-** | **3 292 935** | **Profit before interest, taxation, depreciation, amortisation, impairment, exchange losses and monetary adjustment** |
| Depreciation, amortisation and impairment of property, plant and equipment and intangibles | (1 137 841) | - | (1 137 841) | |
| Exchange losses | (6 953 622) | - | (6 953 622) | |
| Net monetary adjustment | - | | - | |
| **Loss before net finance costs** | **(4 798 528)** | **-** | **-** | Total no longer presented |
| Finance income | 58 322 | - | 58 322 | |
| Finance costs | (109 759) | - | (109 759) | |
| **Loss before tax from continuing operations** | **(4 849 965)** | **-** | **(4 849 965)** | |
| Income tax credit | 956 888 | - | 956 888 | |
| **Loss for the year from continuing operations** | **(3 893 077)** | **-** | **(3 893 077)** | |
| Loss after tax from discontinued operations | (99 758) | - | (99 758) | |
| **Loss profit for the year** | **(3 992 835)** | **-** | **(3 992 835)** | |

ECONET Wireless

# Directorate, corporate and advisory information

**Directors:**

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

**Registered office**

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**Group Company Secretary**

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**Deloitte & Touche (Zimbabwe)**
Registered Public Auditors
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**African Export-Import Bank Limited**
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**First Capital Bank**
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**Stanbic Bank**
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Harare, Zimbabwe

**Steward Bank Limited**
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**EcoBank Limited**
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Harare, Zimbabwe

**Principal legal advisors**

**Mtetwa and Nyambirai Legal Practitioners**
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Harare, Zimbabwe

**Registrars and transfer secretaries**

**First Transfer Secretaries (Private) Limited**
1 Armagh Avenue, Eastlea,
Harare, Zimbabwe

Wireless

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