ECONET Wireless

ECONET WIRELESS ZIMBABWE LIMITED

Abridged consolidated financial statements

for the year ended

28 February 2023

Accelerating Digital Inclusion

DIGITAL TRANSFORMATION

FIRST 5G MOBILE NETWORK

RELIABLE VOICE SERVICE

ECONET Wireless

We relentlessly offer solutions that bridge the digital divide across the country

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

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Financial highlights

Inflation adjusted

EBITDA

7%

from ZW$ 147 billion (2022) to

ZW$137 billion

STATUTORY PAYMENTS

256%

from ZW$25 billion (2022) to

ZW$89 billion

VOICE USAGE

19%

DATA USAGE

58%

DIGITAL TRANSFORMATION

FIRST 5G MOBILE NETWORK

RELIABLE VOICE

Chairman's statement

"We are the only network certified to support Apple devices. Our 5G and network modernization rollout plan will increase access to newer technologies such as virtual, augmented, and mixed reality, ultra-high-definition video (UHD) streaming, Internet of Things (IoT) and Artificial Intelligence (AI)."

Introduction

Our business supports the growing demand for digital services in line with our strategic intent to become a fully-fledged Digital Services Provider. Digital services and next-generation connectivity have become central to people's livelihoods. As a result, globally, the telecommunications sector is increasingly leveraging on emerging technologies for hyper-connectivity, cybersecurity, cloud computing and artificial intelligence to fulfil these fast changing customer demands. Econet Wireless is not left behind in adopting these technologies to fulfil our vision of a digitally connected future that leaves no African behind.

Environment and regulatory review

Providing quality services, which not only meet but exceed our customer expectations is at the core of our endeavours. Whilst concerted efforts were made to meet these standards, our efforts were continuously hampered by extensive load shedding on the national power grid. For the period under review, load shedding averaged 18 hours a day. Consequently, the business resorted to alternative sources of energy to power the network. This significantly increased our cost of providing services to our customers.

The business also experienced vandalism on our critical network infrastructure. To reduce vandalism on our network equipment, the business instituted various monitoring and deterrent measures to secure the various network elements that are being targeted.

Operations review

In order to stay abreast of technological advancements and better serve our customers, we added twelve (12) 5G base stations during the year. We remain the only network in the country with 5G technology. We are the only network certified to support Apple devices. Our 5G and network modernization rollout plan will increase access to newer technologies such as virtual, augmented, and mixed reality, ultra-high-definition video (UHD) streaming, Internet of Things (IoT) and Artificial Intelligence (AI).

To meet the growing demand for both voice and data traffic, we commissioned eighty (80) new base stations providing additional coverage and capacity. We commenced the deployment of a new modern core network with new generation cloud capabilities. As part of this network modernization effort, we also deployed state of the art data center infrastructure to ensure high availability of the network.

We have started deploying a new digital Know Your Customer (KYC) platform on a phased approach. The platform leverages on digital identification and will centralize group KYC capabilities, distribution, and other partner management services. This shared service enables convenient access for our customers to our digital ecosystem and our partner services as well. All digital ID subscribers will have greater ability to do more self-service activities on our group platforms.

As we continued to drive digitalisation and digital adoption in line with our digital service provider (DSP) strategy, the business continued to promote self-help and self-care platforms for the convenience of customers. We re-launched an enhanced Yamurai (WhatsApp Bot) and increased our capacity self-care and social media platforms. Our contact centre also adopted a new automatic call distribution (ACD) system, which enables us to handle more customers efficiently and effectively.

Tariffs

Charges applicable to all mobile network services provided by the business are regulated by the Postal and Telecommunications Regulatory Authority of Zimbabwe (POTRAZ) based on sector specific economic models. The business acknowledges the various interventions that the Regulator has granted the sector in a bid to align operating costs with revenue generating activities. However, tariffs continue to fall behind inflation because of rapid changes in the macro-economic environment. This disparity occurs because tariffs for the sector are determined in the local currency, based on movements in inflation and in the exchange rates. This put significant pressure on operating costs on the backdrop of grid power load shedding challenges. The prevailing tariff environment is a threat to the long-term viability of the local telecoms sector and curtails the ability of the sector to invest appropriately to meet customer demand, thereby undermining the quality of service.

Financial review

The financial review is based on inflation adjusted financial statements which are the primary financial statements. Historical cost financial statements have been presented as supplementary information. In order to comply with International Accounting Standard 29 - "*Financial Reporting in Hyperinflationary Economies*" in the preparation of its consolidated financial statements, the Group estimated and applied inflation rates for February 2023 based on the Total Consumption Poverty Line published by ZIMSTAT. The estimation of the consumer price index is permitted by IAS 29 where a general consumer price index is not readily available. The Directors caution users of the financial statements on the usefulness of these reported financial statements, considering distortions that arise when reporting in a hyperinflationary economy.

Group revenue recorded a 20% rise driven by growth in voice and data usage of 19% and 58%, respectively. The Regulator granted the sector three tariff adjustments of 61% each and a fourth adjustment of 50% during the year. The tariff adjustments were not adequate to offset the increase in inflation which closed at 230% in January 2023. Despite the revenue increase on account of usage, the earnings before interest, taxation, depreciation, and amortization (EBITDA) margin decreased from 52% to 40% for the year under review. The disparity between the revenue growth and EBITDA margin is reflective of the sub-economic tariff environment coupled with accelerated exchange rate depreciation.

The local currency lost value by more than 85% during the year under review which had a negative impact on overall profitability. The Group incurred exchange losses of ZWL$77 billion which

Chairman’s statement (continued)

translated to 23% of revenue against a prior year comparative rate of 6% of revenue.

The business invested US$66 million as part of its network modernization program. Network expansion and upgrades remain imperative to support business sustainability, which has been hampered by several years of under investment, due to ongoing macro-economic challenges.

Debentures

Subsequent to the year end, the Company’s debentures matured at the end of April 2023. The Company has been unable to secure foreign currency for the purpose of redeeming the debentures via the RBZ’s foreign currency auction process. Whilst the Company does generate some foreign currency from its operations, this is being deployed to pay for essential mobile network and related technology upgrades and expansion.

Accordingly, the Company has announced a renounceable rights offer to raise US$30.3 million of foreign currency from its existing shareholders. A circular with further particulars will follow.

Dividend declaration

The Directors resolved not to declare a dividend for the year due to the need to capitalize the network.

Corporate social investment

Our corporate social investment initiatives remain focused on three pillars, education; global health; and rural transformation and sustainable livelihoods.

Through our implementing partner, Higherlife Foundation, we also invested in improving the quality of education by providing training and capacitation programs for educators. As part of efforts to strengthen early childhood development and improve the quality of education for foundation phase learners, we provided literacy and numeracy training to more than 1 300 foundation phase educators across the ten provinces in Zimbabwe. In total, more than 3 400 educators were trained on foundational learning methodologies, positively impacting 173 600 students.

Through the global health program, we catalyse initiatives and projects to broaden access to affordable, high-quality healthcare for Zimbabwe’s most vulnerable populations. Higherlife Foundation is the implementation partner for various projects working closely with the Ministry of Health and Childcare.

Outlook

As we pursue our vision of a digitally connected future that leaves no Zimbabwean behind, we will continue to innovate in order to give a unique digital experience to our customers. The consumption of digital services is expected to continue growing. We have a strong platform to anchor our transition to a fully-fledged digital services provider. Exploiting 4G and 5G network enabled opportunities will be key to keep abreast with emerging global trends and improve service delivery.

Appreciation

On behalf of the Board, I extend my profound gratitude to our valued customers who continued to support the business through this challenging period. I would like to recognise the invaluable support that we continue to receive from our partners. I commend and thank our staff for their contribution, passion, and commitment to the business. To my fellow Board members, allow me to extend my sincere appreciation for your guidance and continued support.

Dr. J. Myers
Chairman of the Board

23 May 2023

Abridged consolidated statement of profit or loss and other comprehensive income

For the year ended 28 February 2023

		INFLATION ADJUSTED		HISTORICAL COST	
All amounts in ZW$ 000	Note	2023	2022	2023	2022
Continuing operations					
Revenue	6	**339 167 367**	**282 151 779**	**267 286 494**	**67 065 626**
Other income		4 007 148	562 799	4 105 623	235 114
Share of (loss) / profit of associates		(1 319 750)	219 714	200 272	309 419
Direct network and technology operating costs		(88 708 134)	(66 770 204)	(73 348 755)	(15 727 266)
Other network costs		(22 413 729)	(15 177 711)	(18 340 302)	(3 675 802)
Costs of handsets and other accessories		(10 100 319)	(7 241 329)	(7 528 548)	(1 572 381)
Marketing and sales expenses		(7 233 774)	(4 271 224)	(5 665 219)	(1 061 701)
Impairment of trade receivables		(6 004 348)	(2 190 690)	(5 055 498)	(535 173)
Staff costs		(37 298 430)	(24 794 347)	(29 198 517)	(6 004 938)
Other expenses		(32 861 215)	(15 496 162)	(27 791 274)	(3 896 998)
Profit before interest, taxation, depreciation, amortisation, impairment, exchange losses and monetary adjustment		**137 234 816**	**146 992 625**	**104 664 276**	**35 135 900**
Depreciation, amortisation and impairment of property, plant and equipment and intangibles	7	(59 982 538)	(47 982 221)	(49 724 991)	(8 617 226)
Other impairments (increase) / reversal		(1 266 446)	573 019	(1 266 246)	363 182
Exchange losses		(77 153 920)	(16 365 692)	(51 939 144)	(4 211 362)
Monetary adjustment		9 354 199	(12 029 486)	-	-
Finance income		5 511 148	2 342 295	4 088 301	583 555
Finance costs		(7 505 169)	(2 825 913)	(6 677 448)	(674 833)
Profit / (loss) before tax from continuing operations		**6 192 090**	**70 704 627**	**(855 252)**	**22 579 216**
Income tax expense		(23 190 044)	(29 923 915)	(10 456 965)	(6 900 970)
(Loss) / profit for the year from continuing operations		**(16 997 954)**	**40 780 712**	**(11 312 217)**	**15 678 246**
(Loss) / profit after tax from discontinued operations	8	**-**	**(1 152 859)**	**-**	**13 208**
(Loss) / profit for the year		**(16 997 954)**	**39 627 853**	**(11 312 217)**	**15 691 454**
(Loss) / profit for the year attributable to					
Equity holders of the Company		(16 684 879)	40 100 046	(11 444 409)	15 676 076
Non-controlling interest		(313 075)	(472 193)	132 192	15 378
		(16 997 954)	**39 627 853**	**(11 312 217)**	**15 691 454**
Other comprehensive income / (loss)					
Items that will not be reclassified subsequently to profit or loss					
Fair value gain on investments in equity instruments designated at fair value through other comprehensive income, net of tax		38 237 749	6 482 798	114 717 464	12 659 660
Gain / (loss) on property revaluation, net of tax		185 249 841	(10 274 865)	237 677 106	6 573 045
Share of other comprehensive income of associates		4 604 427	1 180 226	6 695 350	741 243
		228 092 017	**(2 611 841)**	**359 089 920**	**19 973 948**

		INFLATION ADJUSTED		HISTORICAL COST	
All amounts in ZW$ 000	Note	2023	2022	2023	2022
Other comprehensive income / (loss) attributable to					
Equity holders of the Company		228 086 796	(2 611 841)	359 073 174	19 973 948
Non-controlling interest		5 221	-	16 746	-
		228 092 017	**(2 611 841)**	**359 089 920**	**19 973 948**
Total profit or loss for the year and other comprehensive income / (loss) attributable to					
Equity holders of the Company		211 401 917	37 488 205	347 628 765	35 650 024
Non-controlling interest		(307 854)	(472 193)	148 938	15 378
		211 094 063	**37 016 012**	**347 777 703**	**35 665 402**
Earnings per share	10				
From continuing and discontinued operations					
Basic earnings per share (dollars)		(7.01)	16.58	(4.81)	6.49
Diluted earnings per share (dollars)		(7.01)	16.58	(4.81)	6.49
From continuing operations					
Basic earnings per share (dollars)		(7.01)	17.06	(4.81)	6.48
Diluted earnings per share (dollars)		(7.01)	17.06	(4.81)	6.48

IAS 29 discourages the publication of historical cost 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 an opinion on this historical cost information.

Abridged consolidated statement of financial position

As at 28 February 2023

All amounts in ZW$ 000	Note	INFLATION ADJUSTED 2023	INFLATION ADJUSTED 2022	HISTORICAL COST 2023	HISTORICAL COST 2022
ASSETS					
Non-current assets					
Property, plant and equipment		317 478 370	104 013 634	316 064 775	31 955 730
Right-of-use assets		24 945 824	8 849 023	24 945 824	2 737 147
Investment properties		1 410 349	578 140	1 410 349	178 828
Intangible assets		16 523 618	18 184 643	71 493	85 612
Investments in associates		20 974 170	17 899 119	9 076 474	2 061 437
Long-term receivables		-	9 726 181	-	3 008 466
Financial assets at fair value through other comprehensive income	11	152 848 074	109 354 271	152 848 074	33 825 056
Financial assets at amortised cost		4 055 524	25 543	4 055 524	7 901
Total non-current assets		**538 235 929**	**268 630 554**	**508 472 513**	**73 860 177**
Current assets					
Inventories		7 691 109	9 911 642	7 592 661	2 898 202
Trade and other receivables		114 004 813	40 624 509	103 272 244	10 694 946
Financial assets at fair value through profit or loss		2 460	7 953	2 460	2 460
Cash and cash equivalents		49 087 722	21 644 813	49 087 722	6 695 093
Total currents assets		**170 786 104**	**72 188 917**	**159 955 087**	**20 290 701**
Total assets		**709 022 033**	**340 819 471**	**668 427 600**	**94 150 878**
EQUITY AND LIABILITIES					
Capital and reserves					
Share capital and share premium		21 804 065	21 804 065	96 371	96 371
Retained earnings / (accumulated losses)		107 649 789	133 832 211	(17 492 601)	2 341 840
Other reserves		307 360 274	79 289 892	418 972 948	59 971 164
Equity attributable to equity holders of the Company		**436 814 128**	**234 926 168**	**401 576 718**	**62 409 375**
Non-controlling interest		(15 374)	729 613	(10 094)	218 656
Total equity		**436 798 754**	**235 655 781**	**401 566 624**	**62 628 031**
Non-current liabilities					
Deferred tax liability		58 707 214	16 052 521	58 574 942	4 889 537
Lease liabilities		22 568 942	6 779 808	22 568 942	2 097 105
Interest-bearing debt	12	3 071 488	20 980 247	3 071 488	6 489 532
Provisions		4 838 073	4 292 988	4 838 073	1 327 891
Total non-current liabilities		**89 185 717**	**48 105 564**	**89 053 445**	**14 804 065**

All amounts in ZW$ 000	Note	INFLATION ADJUSTED 2023	INFLATION ADJUSTED 2022	HISTORICAL COST 2023	HISTORICAL COST 2022
Current liabilities					
Deferred revenue		12 730 177	6 806 253	7 500 146	1 175 059
Provisions		878 953	526 671	878 953	162 908
Trade and other payables		80 101 694	38 165 130	80 101 694	11 805 096
Lease liabilities		3 693 293	1 255 814	3 693 293	388 444
Interest-bearing debt	12	66 127 817	2 514 497	66 127 817	777 775
Income tax payable		19 505 628	7 789 761	19 505 628	2 409 500
Total current liabilities		**183 037 562**	**57 058 126**	**177 807 531**	**16 718 782**
Total liabilities		**272 223 279**	**105 163 690**	**266 860 976**	**31 522 847**
Total equity and liabilities		**709 022 033**	**340 819 471**	**668 427 600**	**94 150 878**

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Dr. D. Mboweni
Chief Executive Officer

C.L. Moyo CA(Z)
Finance Director

23 May 2023

Abridged consolidated statement of changes in equity

For the year ended 28 February 2023

INFLATION ADJUSTED						
All amounts in ZW$ 000	Share capital and share premium	Retained earnings	Other reserves	Total	Non-controlling interest	Total
Balance at 28 February 2021	**21 804 065**	**125 189 474**	**83 125 510**	**230 119 049**	**1 201 806**	**231 320 855**
Profit / (loss) for the year	-	40 100 046	-	**40 100 046**	(472 193)	**39 627 853**
	-	**(31 457 309)**	**(3 835 618)**	**(35 292 927)**	**-**	**(35 292 927)**
Purchase of treasury shares	-	(15 467 420)	-	**(15 467 420)**	-	**(15 467 420)**
Dividend paid	-	(17 788 527)	-	**(17 788 527)**	-	**(17 788 527)**
Transfer of revaluation reserve on disposal of property, plant and equipment	-	1 223 777	(1 223 777)	**-**	-	**-**
Share of other equity movements of associates	-	574 861	-	**574 861**	-	**574 861**
Movements through other comprehensive income	-	-	(2 611 841)	**(2 611 841)**	-	**(2 611 841)**
Balance at 28 February 2022	**21 804 065**	**133 832 211**	**79 289 892**	**234 926 168**	**729 613**	**235 655 781**
Loss for the year	-	(16 684 879)	-	**(16 684 879)**	(313 075)	**(16 997 954)**
	-	**(9 497 543)**	**228 070 382**	**218 572 839**	**(431 912)**	**218 140 927**
Purchase of treasury shares	-	(8 628 992)	-	**(8 628 992)**	-	**(8 628 992)**
Increase in shareholding of a subsidiary	-	(400 230)	-	**(400 230)**	(437 133)	**(837 363)**
Share of other equity movements of associates	-	(484 735)	-	**(484 735)**	-	**(484 735)**
Transfer of revaluation reserve on disposal of property, plant and equipment	-	16 414	(16 414)	**-**	-	**-**
Movements through other comprehensive income	-	-	228 086 796	**228 086 796**	5 221	**228 092 017**
Balance at 28 February 2023	**21 804 065**	**107 649 789**	**307 360 274**	**436 814 128**	**(15 374)**	**436 798 754**

HISTORICAL COST						
All amounts in ZW$ 000	Share capital and share premium	Retained earnings / (accumulated losses)	Other reserves	Total	Non-controlling interest	Total
Balance at 28 February 2021	**96 371**	**(6 243 431)**	**41 579 844**	**35 432 784**	**203 278**	**35 636 062**
Profit for the year	-	15 676 076	-	**15 676 076**	15 378	**15 691 454**
	-	**(7 090 805)**	**18 391 320**	**11 300 515**	**-**	**11 300 515**
Purchase of treasury shares	-	(4 529 463)	-	**(4 529 463)**	-	**(4 529 463)**
Dividend paid	-	(4 078 378)	-	**(4 078 378)**	-	**(4 078 378)**
Transfer of revaluation reserve on disposal of property, plant and equipment	-	1 582 628	(1 582 628)	**-**	-	**-**
Share of other equity movements of associates	-	(65 592)	-	**(65 592)**	-	**(65 592)**
Movements through other comprehensive income	-	-	19 973 948	**19 973 948**	-	**19 973 948**
Balance at 28 February 2022	**96 371**	**2 341 840**	**59 971 164**	**62 409 375**	**218 656**	**62 628 031**
(Loss) / profit for the year	-	(11 444 409)	-	**(11 444 409)**	132 192	**(11 312 217)**
	-	**(8 390 032)**	**359 001 784**	**350 611 752**	**(360 942)**	**350 250 810**
Purchase of treasury shares	-	(7 976 689)	-	**(7 976 689)**	-	**(7 976 689)**
Increase in shareholding of a subsidiary	-	(459 675)	-	**(459 675)**	(377 688)	**(837 363)**
Share of other equity movements of associates	-	(25 058)	-	**(25 058)**	-	**(25 058)**
Transfer of revaluation reserve on disposal of property, plant and equipment	-	71 390	(71 390)	**-**	-	**-**
Movements through other comprehensive income	-	-	359 073 174	**359 073 174**	16 746	**359 089 920**
Balance at 28 February 2023	**96 371**	**(17 492 601)**	**418 972 948**	**401 576 718**	**(10 094)**	**401 566 624**

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Abridged consolidated statement of cash flows

For the year ended 28 February 2023

	INFLATION ADJUSTED		HISTORICAL COST	
All amounts in ZW$ 000	2023	2022	2023	2022
Operating activities				
Cash generated from operations	73 694 401	112 584 030	76 455 704	30 421 122
Income taxes paid	(18 395 877)	(25 819 860)	(14 755 154)	(6 019 665)
Net cash flows from operating activities	**55 298 524**	**86 764 170**	**61 700 550**	**24 401 457**
Investing activities				
Finance income	3 671 359	521 443	2 768 505	119 136
Acquisition of intangible assets	-	(950)	-	(177)
Acquisition of shares in associate	(275 128)	(879 730)	(144 472)	(229 265)
Acquisition of financial assets at amortised cost	(12 956)	-	(12 956)	-
Acquisition of financial assets at fair value through other comprehensive income	(5 468 868)	(36 442 906)	(3 815 510)	(8 668 076)
Purchase of property, plant and equipment to expand operating capacity	(21 783 024)	(13 739 210)	(16 324 189)	(3 548 349)
Proceeds from disposal of property, plant and equipment	946 747	3 618 028	327 882	674 008
Net cash flows used in investing activities	**(22 921 870)**	**(46 923 325)**	**(17 200 740)**	**(11 652 723)**
Financing activities				
Finance costs paid	(3 973 923)	(989 473)	(3 330 538)	(227 862)
Repayment of lease liabilities	(3 976 824)	(1 402 697)	(1 721 872)	(322 511)
Purchase of treasury shares (share buy backs)	(8 628 992)	(15 467 420)	(7 976 689)	(4 529 463)
Proceeds from short-term interest bearing debt	20 489 305	4 013 420	18 368 023	1 015 695
Repayment of debentures	-	(5 370 988)	-	(1 242 989)
Repayment of short-term interest bearing debt	(8 843 311)	(1 938 058)	(7 446 105)	(531 657)
Dividend paid	-	(17 788 527)	-	(4 078 378)
Net cash flows used in financing activities	**(4 933 745)**	**(38 943 743)**	**(2 107 181)**	**(9 917 165)**
Net increase in cash and cash equivalents	**27 442 909**	**897 102**	**42 392 629**	**2 831 569**
Cash and cash equivalents at beginning of year	21 644 813	20 747 711	6 695 093	3 863 524
Cash and cash equivalents at end of year	**49 087 722**	**21 644 813**	**49 087 722**	**6 695 093**

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Notes to the abridged consolidated financial statements

For the year ended 28 February 2023

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 financial statements. The consolidated financial statements, on which these abridged consolidated financial statements are based on, have been audited by BDO Zimbabwe Chartered Accountants who issued a qualified opinion as detailed in Note 18. The audit opinion is available for inspection at Econet Wireless Zimbabwe Limited's registered offices.

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 has not been possible, in some cases, to present financial information that is not contradictory to International Financial Reporting Standards (IFRS) and certain relevant local legislation due to multiple factors in the primary economic environment, including but not limited to the extant legislative framework and the economic variables affecting companies operating in Zimbabwe. This has resulted in certain qualifications to these financial statements, which are not dissimilar to those carried by other companies operating in the same environment. Economic variables and conditions 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 these conditions.

Report on legal and regulatory requirements

Statutory Instrument (S.I.) 27 of 2023 defines inflation as the general increase in price levels of goods and services as a weighted average based on the use of Zimbabwe dollars and United States dollars (blended inflation). In order to comply with International Accounting Standard (IAS) - "Financial Reporting in Hyperinflationary Economies" in the preparation of its consolidated financial statements, the Group estimated and applied inflation rates for February 2023 based on the Total Consumption Poverty Line published by ZIMSTAT. The estimation of the consumer price index is permitted by IAS 29 where a general consumer price index is not readily available. The Company has obtained legal advice to the effect that its use of alternative available data to estimate the February 2023 consumer price index would not be in violation of S.I. 27 of 2023 and any other legal statues.

2 General information

The main business of the Group is mobile telecommunications and related value added services. The abridged consolidated 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 consolidated financial statements, on which these abridged consolidated financial statements are based on were compiled adopting principles from International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB), the International Financial Reporting Interpretations Committee (IFRIC) and the Companies and Other Business Entities Act (Chapter 24:31).

The relevant local legislation and multiple factors in the primary economic environment as detailed in Note 1 have a bearing on the valuation of unlisted shares and property, plant and equipment in a manner required by IFRS 13 – Fair Value Measurement.

Notes to the abridged consolidated financial statements (continued)

For the year ended 28 February 2023

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 2022 which however had no material impact on these results.

4.1 Application of IAS 29 - Financial Reporting in Hyperinflationary Economies

These abridged consolidated 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 cost 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 an opinion on the historical cost 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.

Since the adoption of IAS 29 on 1 October 2018, the Group adopted the Zimbabwe consumer price index (CPI) as the general price index to prepare inflation adjusted financial statements. However, in the absence of the February 2023 pure Zimbabwe dollar inflation index, the Group estimated and applied the inflation rate for February 2023 using the Total Consumption Poverty Line published by ZIMSTAT further explained in Note 1.

The conversion factors used to restate the consolidated financial statements for the year ended 28 February 2023 are as follows.

	CPI	Conversion factor
1 October 2018	64.06	226.3
28 February 2021	2 698.89	5.37
28 February 2022	4 483.06	3.23
28 February 2023	14 493.45	1.00
Average CPI for the year		
28 February 2022	3 415.67	1.35
28 February 2023	10 835.36	1.54

Non-monetary assets and liabilities carried at historical 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 or linked by agreement to changes in prices 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.

5 Abridged segment analysis

	INFLATION ADJUSTED							
	28 February 2023				28 February 2022			
All amounts in ZW$ 000	Mobile network operations	Investments and administration	Net eliminations and adjustments	Total	Mobile network operations	Investments and adminstration	Net eliminations and adjustments	Total
Revenue from external customers	339 167 367	-	-	**339 167 367**	282 151 779	-	-	**282 151 779**
Depreciation, amortisation and impairment of property, plant and equipment and intangibles	(59 982 538)	-	-	**(59 982 538)**	(47 982 221)	-	-	**(47 982 221)**
Segment (loss) / profit	(40 423 384)	22 412 741	1 012 689	**(16 997 954)**	17 942 910	22 782 655	55 147	**40 780 712**
Segment assets	548 850 999	195 355 735	(35 184 701)	**709 022 033**	265 076 833	134 734 794	(58 992 156)	**340 819 471**
Segment liabilities	(220 819 451)	(81 844 763)	30 440 935	**(272 223 279)**	(82 847 146)	(76 564 939)	54 248 395	**(105 163 690)**
	HISTORICAL COST							
Revenue from external customers	267 286 494	-	-	**267 286 494**	67 065 626	-	-	**67 065 626**
Depreciation, amortisation and impairment of property, plant and equipment and intangibles	(49 724 991)	-	-	**(49 724 991)**	(8 617 226)	-	-	**(8 617 226)**
Segment profit / (loss)	10 231 931	(22 556 837)	1 012 689	**(11 312 217)**	15 295 400	365 788	17 058	**15 678 246**
Segment assets	514 096 776	184 792 725	(30 461 901)	**668 427 600**	72 546 169	38 405 586	(16 800 877)	**94 150 878**
Segment liabilities	(215 106 563)	(82 195 348)	30 440 935	**(266 860 976)**	(24 454 058)	(23 848 700)	16 779 911	**(31 522 847)**

Notes to the abridged consolidated financial statements (continued)

For the year ended 28 February 2023

6 Revenue

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). The Group derives its revenue from contracts with customers for the transfer of goods and services in the following major product lines.

	INFLATION ADJUSTED		HISTORICAL COST	
All amounts in ZW$ '000	2023	2022	2023	2022
Revenue from rendering of services				
- Local airtime	140 955 491	104 928 923	112 581 849	24 939 617
- Interconnection fees and roaming	27 612 207	19 439 110	22 099 191	4 612 150
- Data and internet services	112 318 656	99 512 888	87 781 724	23 775 902
- Value added services and short message services (SMS)	31 562 490	35 976 105	24 261 328	8 477 557
- Other service revenue	23 434 050	19 564 890	17 972 175	4 624 653
Revenue from sale of goods				
- Handset sales and accessories	3 284 473	2 729 863	2 590 227	635 747
	339 167 367	**282 151 779**	**267 286 494**	**67 065 626**
Gross sales – revenue analysis				
Gross sales	**425 047 113**	**354 848 357**	**334 977 801**	**84 326 686**
Value added tax (VAT)	(53 135 790)	(45 376 364)	(41,819,206)	(10 776 338)
Excise duty	(32 743 956)	(27 320 214)	(25,872,101)	(6 484 722)
Revenue	**339 167 367**	**282 151 779**	**267 286 494**	**67 065 626**

7 Depreciation, amortisation and impairment of property, plant and equipment and intangibles

	INFLATION ADJUSTED		HISTORICAL COST	
All amounts in ZW$ '000	2023	2022	2023	2022
Depreciation, amortisation and impairment of property, plant and equipment and intangibles	**(59 982 538)**	**(47 982 221)**	**(49 724 991)**	**(8 617 226)**
- Depreciation of property, plant and equipment	(55 000 241)	(45 456 353)	(46 414 257)	(8 395 938)
- Impairment of property, plant and equipment	(29 048)	(43 752)	(8 985)	(8 147)
- Depreciation of right-of-use assets	(3 378 148)	(589 649)	(3 289 881)	(145 737)
- Amortisation and impairment of intangible assets	(1 575 101)	(1 892 467)	(11 868)	(67 404)

8 Discontinued operations

As reported in the financial statements for the year ended 28 February 2022, 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.

The transaction to dispose the assets was concluded in March 2021 and control of the assets passed to the buyer concurrently. Consequently, this note disclosure does not present current year amounts as it relates to the discontinued operations as reported in the prior period.

	INFLATION ADJUSTED	HISTORICAL COST
All amounts in ZW$ '000	2022	2022
Revenue	**77 843**	**14 823**
Expenses	(1 925 470)	(138 689)
Loss before tax	**(1 847 627)**	**(123 866)**
Income tax credit	694 768	137 074
Net (loss) / profit from discontinued operations	**(1 152 859)**	**13 208**

9 Commitments for capital expenditure

	INFLATION ADJUSTED		HISTORICAL COST	
All amounts in ZW$ '000	2023	2022	2023	2022
Authorised and contracted for	38 313 227	10 969 937	38 313 227	3 393 180
Authorised and not contracted for	3 056 447	24 509 357	3 056 447	7 581 143
	41 369 674	**35 479 294**	**41 369 674**	**10 974 323**

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

Notes to the abridged consolidated financial statements (continued)

For the year ended 28 February 2023

10 Earnings per share

All amounts in ZW$ '000	INFLATION ADJUSTED 2023	INFLATION ADJUSTED 2022	HISTORICAL COST 2023	HISTORICAL COST 2022
(Loss) / profit for the year attributable to owners of the Company	(16 684 879)	40 100 046	(11 444 409)	15 676 076
Profit / (loss) for the year from discontinued operations used in calculation of basic earnings per share	-	1 152 859	-	(13 208)
(Loss) / earnings used in calculation of basic and diluted earnings per share from continuing operations	**(16 684 879)**	**41 252 905**	**(11 444 409)**	**15 662 868**
(Loss) / profit for the year attributable to owners of the Company	(16 684 879)	40 100 046	(11 444 409)	15 676 076
Adjustment for capital items:				
Loss on disposal of property, plant and equipment	163 197	326 084	165 833	62 652
Impairment of property, plant and equipment and intangible assets	29 048	43 752	8 985	8 147
Tax effect on adjustments	(47 523)	(91 424)	(43 215)	(17 502)
Headline (loss) / earnings attributable to owners of the Company	**(16 540 157)**	**40 378 458**	**(11 312 806)**	**15 729 373**
Weighted average number of ordinary shares for the purposes of basic and diluted earnings per share ('000)	2 380 158	2 417 789	2 380 158	2 417 789
Basic (loss) / earnings per share (ZW dollar)				
From continuing operations	(7.01)	17.06	(4.81)	6.48
From discontinued operations	-	(0.48)	-	0.01
Total basic (loss) / earnings per share	**(7.01)**	**16.58**	**(4.81)**	**6.49**
Total headline (loss) / earnings per share (ZW dollar)	**(6.95)**	**16.70**	**(4.75)**	**6.51**

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

11 Financial assets at fair value through other comprehensive income

All amounts in ZW$ '000	INFLATION ADJUSTED 2023	INFLATION ADJUSTED 2022	HISTORICAL COST 2023	HISTORICAL COST 2022
Balance at beginning of year	**109 354 271**	**65 423 256**	**33 825 056**	**12 182 756**
Additions	5 468 869	36 442 906	3 815 510	8 668 076
Fair value gain	38 024 934	7 488 109	115 207 508	12 974 224
Balance at end of year	**152 848 074**	**109 354 271**	**152 848 074**	**33 825 056**
Analysis				
Listed shares	41 706 824	51 217 204	41 706 824	15 842 315
Unlisted shares	111 141 250	58 137 067	111 141 250	17 982 741
	152 848 074	**109 354 271**	**152 848 074**	**33 825 056**

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 (ZSE). The fair value of the shares is based on the ZSE published share prices i.e. Level 1 inputs.

Unlisted shares relate to an investment in Liquid Telecommunications Holdings (LTH) domiciled in Mauritius. The fair value of the investment amounting to US$ 125 million (equivalent to ZW$ 111 billion) was determined at year end by the Directors using the earnings before interest, taxation, depreciation and amortisation (EBITDA) multiple valuation technique. In prior year, the fair value of US$ 145 million (equivalent to ZW$ 58 billion) was determined by the Directors using a similar EBITDA multiple valuation technique.

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$ 8 million (ZW$ 7 billion). Similarly, a 5% reduction in the EBITDA multiple would result in a decrease in the carrying amount of the investment by US$ 8 million (ZW$ 7 billion).

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 in both current and prior year.

Notes to the abridged consolidated financial statements (continued)

For the year ended 28 February 2023

12 Interest-bearing debt

All amounts in ZW$ '000			INFLATION ADJUSTED 2023	INFLATION ADJUSTED 2022	HISTORICAL COST 2023	HISTORICAL COST 2022
Borrowing	**Security**	**Effective interest**				
Non-current						
Debentures	Unsecured	5.6%	-	20 980 247	-	6 489 532
Bank loans	Secured	7.3%-16.3%	3 071 488	-	3 071 488	-
			3 071 488	**20 980 247**	**3 071 488**	**6 489 532**
Current						
Debentures	Unsecured	5.6%	49 219 117	-	49 219 117	-
Bank loans	Secured	7.3%-16.3%	16 908 700	2 019 806	16 908 700	624 759
Commercial papers	Unsecured	47.0%	-	494 691	-	153 016
			66 127 817	**2 514 497**	**66 127 817**	**777 775**
			69 199 305	**23 494 744**	**69 199 305**	**7 267 307**

Debentures

In May 2017, the Company issued 1 166 906 618 unsecured redeemable debentures with an annual compounding coupon rate of 5% and a tenure of 6 years from date of issue. The debentures were issued at a subscription price of 4.665 US cents per debenture. Interest on the debentures is payable on redemption.

Pursuant to an offer made by the Company in July 2021 as permitted by the Debenture Trust Deed for the early redemption of debentures at the interbank rate, 22.46% debentures were offered for early redemption by the holders. The Company remained with an obligation for 904 778 710 debentures with a redemption date of 30 April 2023 at a price of 6.252 US cents per debenture.

Subsequent to year end as more fully explained in Note 15, the Company initiated processes to raise funding through a proposed renounceable rights offer of new ordinary shares in the capital of the Company to redeem the debentures.

The Company has accounted and measured all debentures as redeemable in US dollars. The Directors will continuously assess this measurement basis to ensure that the Company complies with applicable monetary authority policies and regulations. This is particularly so for resident debenture holders who subscribed for the debentures using local onshore dollars whose counterpart offshore US dollars were provided by the rights offer underwriter.

Bank loans

Bank loans were advanced by various financial institutions from October 2021 through to October 2022 and are denominated in United States dollars. Repayments commenced in October 2021 and will continue until full settlement in July 2025. The loans accrue interest at rates ranging between 6.5% to 12.8%.

Security pledged include; a first mortgage bond over immovable property (land and buildings); notarial special covering bonds over network infrastructure financed by the loans; and subordination of the shareholders' debts.

Commercial papers

The commercial papers were advanced in February 2022 and had tenures ranging 120 to 182 days. The papers accrued interest at a fixed rate of 45% per annum. The principal and accrued interest were settled in full on maturity of the papers.

13 Fair value of financial assets

The carrying amounts of financial assets 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.

All amounts in ZW$ 000	INFLATION ADJUSTED Total	Level 1	Level 2	Level 3
At 28 February 2023				
Financial assets at fair value through OCI	**152 848 074**	41 706 824	-	111 141 250
Financial assets at fair value through profit or loss	**2 460**	2 460	-	-
	152 850 534	**41 709 284**	**-**	**111 141 250**
At 28 February 2022				
Financial assets at fair value through OCI	**109 354 271**	51 217 204	-	58 137 067
Financial assets at fair value through profit or loss	**7 953**	7 953	-	-
	109 362 224	**51 225 157**	**-**	**58 137 067**

All amounts in ZW$ 000	HISTORICAL COST Total	Level 1	Level 2	Level 3
At 28 February 2023				
Financial assets at fair value through OCI	**152 848 074**	41 706 824	-	111 141 250
Financial assets at fair value through profit or loss	**2 460**	2 460	-	-
	152 850 534	**41 709 284**	**-**	**111 141 250**
At 28 February 2022				
Financial assets at fair value through OCI	**33 825 056**	15 842 315	-	17 982 741
Financial assets at fair value through profit or loss	**2 460**	2 460	-	-
	33 827 516	**15 844 775**	**-**	**17 982 741**

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.

Notes to the abridged consolidated financial statements (continued)

For the year ended 28 February 2023

14 Contingencies

Contingent tax liabilities

The Group is regularly subject to an evaluation by tax authorities on its direct and indirect tax filings and has pending matters with the tax authorities arising from the normal course of business.

The consequence of such reviews and pending matters is that disagreements can arise with tax authorities over the interpretation or application of certain tax rules applicable to the Group's business. Such disagreements may not necessarily be resolved in a manner that is favourable to the Group. Additionally, the resolution of the disputes and pending matters could result in an obligation to the Group.

The Directors have assessed the status of the contingent liabilities arising from the tax authorities and do not anticipate any material liabilities that may have an impact on these consolidated financial statements.

15 Events after the reporting date

Proposed rights offer to redeem debentures

In April 2023, the Company initiated processes to raise funding to redeem debentures with a maturity date of 30 April 2023. The debentures have a US dollar face value, terms and conditions of the debentures are more fully explained in Note 12.

A renounceable rights offer of new ordinary shares in the capital of the Company is being considered to raise a total amount of approximately US$30.3 million. The Company is unable to secure foreign currency on the interbank or auction market for the purposes of redeeming the debentures.

Determination of consumer price indices (CPIs)

In March 2023, Statutory Instrument (S.I.) 27 of 2023 which measures inflation as the general increase in price levels of goods and services as a weighted average based on the use of Zimbabwean dollars and United States dollars over a given period of time was promulgated by the authorities.

The dissemination of inflation rates with effect from the date of promulgation of S.I. 27 of 2023 adopted this new blended method of measuring inflation. Consequently, pure Zimbabwe dollar inflation indices which were used by the Group to prepare inflation adjusted financial statements since adoption of IAS 29 on 1 October 2019 were last published for January 2023.

16 Related party transactions

Transactions

	INFLATION ADJUSTED		HISTORICAL COST	
All amounts in ZW$ '000	2023	2022	2023	2022
Transactions with members of Econet Global Limited Group				
Sale of goods and services to fellow subsidiaries	16 211 508	10 001 937	12 752 675	2 343 846
Sale of goods and services to associates	5 001 018	8 658 274	3 778 568	1 974 096
Purchase of goods and services from associates	(8 237 672)	(9 328 678)	(6 245 707)	(2 125 629)
Purchase of goods and services from fellow subsidiaries	(57 214 012)	(47 111 585)	(46 941 507)	(11 027 213)

Balances

	INFLATION ADJUSTED		HISTORICAL COST	
All amounts in ZW$ '000	2023	2022	2023	2022
Amounts receivable from the parent	1 394 131	24 583	1 394 131	7 604
Amounts owed to fellow subsidiaries	(14 883 399)	(3 437 527)	(14 883 399)	(1 063 283)
Amounts receivable from fellow subsidiaries	614 374	304 042	614 374	94 045
Amounts owed to associates	(167 775)	(384 955)	(167 775)	(119 073)
Amounts receivable from associates	36 560 335	13 259 816	36 560 335	4 101 477
Amounts receivable from Econet Wireless Zimbabwe Group Pension Fund	1 943 738	421 963	1 943 738	130 520
Net amount receivable	**25 461 404**	**10 187 922**	**25 461 404**	**3 151 290**

During the year, ZW$1.2 billion (2022; impairment reversal of ZW$3.9 billion) receivable from 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.

Notes to the abridged consolidated financial statements (continued)

For the year ended 28 February 2023

17 Going concern

The prevailing macro-economic conditions within the country's economy have continued 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.

In February 2023, the Group was issued treasury bills by the Reserve Bank of Zimbabwe (RBZ) as settlement of registered foreign currency denominated obligations (legacy debts) which accrued prior to the promulgation of Statutory Instrument (S.I.) 33 of 2019. The treasury bills are long term instruments with maturity tenures of between 3 and 20 years and were appropriately discounted to take into account the time value of money. Coupled with limited access to sufficient foreign currency on the interbank market, the business made limited progress in extinguishing legacy debts and continued to incur exchange losses. During the year, the Group incurred exchange losses amounting to ZW$77 billion (2022: ZW$16 billion) resulting in a loss after tax of ZW$ 17 billion (2022: profit after tax ZW$40 billion).

The Group's exposure in foreign currency denominated obligations is mitigated by an equity instrument held by the Company in Liquid Telecommunications Holdings with a fair value of US$125 million (2022: 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 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.

The Directors have reviewed the Group's cash flow forecasts to 31 May 2024 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.

18 Audit opinion

The abridged inflation adjusted consolidated financial results should be read in conjunction with the full set of audited consolidated financial statements for the year ended 28 February 2023, which have been audited by BDO Zimbabwe Chartered Accountants. A qualified opinion has been issued thereon in respect of the following:

- Non-compliance with IFRS 13 "Fair Value Measurement" on the valuation of property, plant and equipment in the current and the previous periods.
- Non-compliance with IFRS 13 "Fair Value Measurement" in the valuation of an unlisted investment.

The audit report also includes key audit matters. The key audit matters were on:

- Revenue recognition
- Related party transactions and balances

The auditors' report on the inflation adjusted consolidated financial statements is available for inspection at the Group's registered office. The engagement partner for the audit is Mr. Jonas Jonga (PAAB Practicing Number 0438).

Directorate, corporate and advisory information

Directors:

Dr. J. Myers - Non Executive Chairman,
Dr. D. Mboweni - Chief Executive Officer,
Mr. R. Chimanikire - Deputy Chief Executive Officer,
Dr. J. Chimhanzi - Non Executive,
Mr. M. Edge - Non Executive,
Mr. M. Gasela - Non Executive,
Mr. G. Gomwe - Non Executive,
Miss. E.T. Masiyiwa - Non Executive,
Ms. B. Mtetwa - Non Executive,
Mr C.L. Moyo - Finance Director,
Ms T. Moyo - Non Executive,
Mr. H. Pemhiwa - Non Executive.

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Group Company Secretary

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Independent auditors

BDO Zimbabwe Chartered Accountants
Registered Public Auditors
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Principal bankers

African Export-Import Bank Limited
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First Capital Bank
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Stanbic Bank
Stanbic Centre, 59 Samora Machel Avenue,
Harare, Zimbabwe

Steward Bank Limited
75 Livingstone Avenue, Harare, Zimbabwe

EcoBank Limited
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Harare, Zimbabwe

Debenture trustees

CBZ Bank Limited
Union House, 60 Kwame Nkrumah Avenue,
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Principal legal advisors

Mtetwa and Nyambirai Legal Practitioners
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Registrars and transfer secretaries

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REPORT OF THE INDEPENDENT AUDITORS

TO THE SHAREHOLDERS OF

ECONET WIRELESS ZIMBABWE LIMITED

Qualified Opinion

We have audited the consolidated financial statements of **ECONET WIRELESS ZIMBABWE LIMITED and its subsidiaries (the Group)** set out on pages 6 to 83, which comprise of the consolidated statement of financial position as at 28 February 2023, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and the statement of cash flows for the year then ended, and the notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, except for the effect of matters (i) and (ii) discussed under the Basis for Qualified Opinion paragraph, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of **ECONET WIRELESS ZIMBABWE LIMITED** as at 28 February 2023, and its consolidated financial performance and consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for Qualified Opinion

i) Valuation of property, plant and equipment

The Group had property, plant and equipment with carrying amount of ZWL317,478,370,000 (2022: ZWL104,013,634,000) as at 28 February 2023. The Group engaged an external valuer to value its property, plant and equipment in the current and the prior year using the market approach. The valuer performed the valuation in United States Dollars (USD) using USD denominated inputs and translated the USD values to ZWL using the Reserve Bank of Zimbabwe closing auction exchange rate. In our view the translation may not give a reasonable indication of fair value as defined by International Financial Reporting Standard 13, "Fair Value Measurement", (IFRS 13). IFRS 13 paragraph 2 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (exit price). In the current environment, it is not likely that the ZWL price derived from translating the USD value at the Reserve Bank of Zimbabwe auction exchange rate would be the price at which a ZWL denominated transaction would occur.

We were therefore unable to obtain sufficient appropriate evidence to support the appropriateness of applying the closing ZWL/USD auction exchange rate in determining the ZWL fair value of property, plant and equipment, 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 in ZWL.

Accordingly, we were unable to determine whether adjustments to the carrying amounts of property, plant and equipment and revaluation reserve were appropriate in these circumstances.

ii) Valuation of unquoted shares

The Group holds a 7.3% shareholding in a company registered in Mauritius with a fair value of ZWL111,141,250,000 (2022: ZWL58,137,067,000) as at 28 February 2023. The valuation was performed in United States Dollars (USD) using USD denominated inputs. The Group translated the USD value to ZWL using the Reserve Bank of Zimbabwe auction exchange rate. In our view the translation may not give a reasonable indication of fair value as defined by International Financial Reporting Standard 13, "Fair Value Measurement", (IFRS 13). IFRS 13 paragraph 2 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (exit price). In the current environment, it is not likely that the ZWL price derived from translating the USD value at the Reserve Bank of Zimbabwe auction exchange rate would be the price at which a ZWL denominated transaction would occur.

We were therefore unable to obtain sufficient appropriate evidence to support the appropriateness of applying the closing ZWL/USD auction exchange rate in determining the ZWL fair value of the unquoted shares, 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 unquoted shares in ZWL.

Accordingly, we were unable to determine whether adjustments to the carrying amounts of unquoted shares and revaluation surplus were appropriate in these circumstances.

Key audit matters

Key audit matters are those matters that in our professional judgment were of most significance in our audit of financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matters described in the Basis for Qualified Opinion, we have determined the matter described below to be the key audit matter to be communicated in our report:-

Key audit matter	Audit response
a) Related party transactions and balances The Group has significant transactions with its related parties in various jurisdictions. Some of the transactions are voluminous. The identification and completeness of disclosure of related party transactions may be complex. Related party transactions may also be not undertaken at arm's length. Due to the significance and volumes of transactions with related parties, related party transactions were identified as a key audit matter.	We performed the following procedures: 1. At both component and group level, we obtained an understanding of and tested management's process for identifying related parties and recording related party transactions. 2. We tested controls in relation to the assessment and approval of related party transactions. 3. We assessed management's evaluation that the transactions are on an arm's length basis by reviewing a sample of agreements and comparing the related party transaction prices to those quoted by comparable companies. 4. Across all the components we paid special attention to unusual or high value transactions with unknown counterparties. We randomly selected a sample of key management personnel and ran a search for any companies controlled by those individuals. 5. We compared the results of the search with the list of entities included in related party listing provided to us by management.
b) Revenue recognition The application of the revenue recognition accounting standard IFRS 15: Revenue from Contracts with Customers, requires the use of a complex accounting system which is compounded by the vast number of revenue transactions that are accounted for. The occurrence, accuracy and completeness of amounts recorded as revenue is an inherent industry risk due to the complexity of billing systems, accounting for new products and plans including multiple element arrangements and the combination of products sold and tariff structure changes during the year. The Group's revenue streams are characterised by high volumes of transactional data. The revenue system is highly automated, complex in nature, dynamic and therefore requires numerous information technology related checks and balances. Due to the varying terms and conditions, the revenue recognition is complex as a result of the following: •Accounting treatment for principal and agent relationships; •Treatment of discounts, incentives and commissions; •The potential impact of seemingly small errors becoming significant due to the possibility of automated replication through the large volumes of transactions; and •The deferral of revenue which is dependent on various automated systems, and processes which are complex in nature. We therefore considered revenue recognition to be a key audit matter.	To address these matters we performed the following procedures: 1. Performed walk throughs of the revenue processes and evaluated the design and implementation of controls ; 2. Performed tests on the operating effectiveness of controls pertaining to the recognition of revenue; 3. Reviewed principal and agent contracts and the related accounting treatment; 4. Tested the process of updating and application of new tariff plans and the controls in the billing process; 5. Analysed and verified transactional data on a monthly basis; 6. Engaged our internal IT specialists to test the design, implementation and operating effectiveness of the general IT and key automated controls of the relevant billing environments, as well as to assess the relevant revenue reports utilised for audit purposes for accuracy and completeness; 7. Engaged Internal Data Analytics specialists to independently re-compute the revenue using data analytical methods; 8. Engaged Data Analytics specialists to re-compute the deferred revenue/contract liability under IFRS 15 (outstanding prepaid airtime at year end); 9. Performed detailed substantive testing of journal entries processed around revenue to ensure these were appropriately authorised, complete and accurate; 10. Inspected a sample of underlying data for completeness and accuracy; 11. For a sample of contracts, reviewed the contract terms and assessed against the 5 step approach of IFRS 15; and 12. Reviewed the financial statements to ensure compliance with presentation and disclosure requirements of IFRS 15.

Other information
The Directors are responsible for other information. The other information comprises of the Chairman's Statement, Report of the Directors, Corporate Governance Statement, Director's Responsibility Statement. Our opinion on the financial statements does not cover the other information and we do not express any form of assurance or conclusion thereon.

In connection with our audit of the 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 financial statements, or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed on other information that we have obtained prior to the date of the Auditor's Report, we conclude that there is a material misstatement of the other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the consolidated financial statements
The Directors are responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards, and for such internal control as the directors determine is necessary to enable the preparation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

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

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

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

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

BDO Zimbabwe

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BDO Zimbabwe Chartered Accountants

3 Baines Avenue,

Harare

23 May 2023

Jonas Jonga CA(Z) (PAAB Practicing Number 0438)

Registered Public Auditor

Partner