

# **ECONET WIRELESS ZIMBABWE LIMITED**Audited Abridged Financial Results

for the year ended 28 February 2013

# **HIGHLIGHTS**

	CONNECTED SUBSCRIBERS	NETWORK INVESTMENT	REVENUE	EBIDTA
AUDITED 28 FEBRUARY 2013	8 000 000	\$147.0 million	\$694.8 million	\$305.3 million
AUDITED 29 FEBRUARY 2012	6 409 000	\$216.0 million	\$611.1 million	\$290.9 million
PERCENTAGE (%) CHANGE	+25%	-32%	+14%	+5%

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# **Inspiring Innovations**





# **ECONET WIRELESS ZIMBABWE LIMITED**

# Audited Abridged Financial Results For The Year Ended 28 February 2013

### Chairman's Statement to Shareholders

Through pursuing inspiring innovations and continued investment in human capital, systems and technology, Econet continues to maintain its market leadership position. The Company is changing lives and transforming the communities for the better by providing products and services that address the needs of people across the country in line with its vision to provide telecommunication services to all people in Zimbabwe. Largely through the increase in Econet Wireless' subscriber base, the mobile penetration rate improved from 15% in 2010 to almost 100% for the period under review. The Company's extensive network coverage has allowed access to telecommunication and other services to previously marginalised communities resulting in a transformational impact on those communities. Econet made significant strides in providing access to internet services by making internet access ubiquitously available through its extensive data enabled network resulting in the internet penetration rate increasing to about 35%.

### **Investment Review**

Since inception the business has invested over US\$1 billion in the Zimbabwean economy, making it one of the largest investors in the country. Further investment was made in the year under review in network infrastructure to improve coverage and bring more capacity, particulary for data services. This investment resulted in an increase to 8 million subscribers; a growth of 25% from the previous

The investment in network infrastructure is complemented by an extensive distribution network which has made the Company's products and services easily accessible to its subscribers across the country. This distribution network consists of over 100 different locations where there is either a company owned shop, an exclusive franchise or a dealer. This investment has had a profound effect on employment as it has created an extensive network that deals directly and indirectly with the Company's products and services.

The business identified an opportunity in the financial services sector where most of the people in the country did not have access to bank accounts or a means to do financial transactions easily and responded by launching EcoCash; which to date has been a highly successful intervention with over 2.1 million customers. Internationally, there has been a trend towards convergance of mobile telecommunications and financial services. The Company acquired TN Bank Limited as it realises the strategic role financial services will play in its future growth. Mobile money services in Zimbabwe require a banking licence and this investment allows the Company to be firmly in control of the future growth prospects of its financial services-related innovations

The Company continues to research into areas in which technology can be used to address needs that are unique to Zimbabwe and Africa. Its innovations in solar devices has brought power and phone charging solutions to communities that previously were not addressed by conventional power solutions. Innovation is a core value of the Company and it will continue to drive its investment philosophy.

EcoCash subscribers increased by 62% from 1.3 million to 2.1 million subscribers. The agency ecocash subscribers increased by 62% from 1.3 million to 2.1 million subscribers. The agency network that supports the EcoCash business witnessed a growth of 242% to close at over 3,000 agents thereby creating further employment opportunities and improving the national payments system. Under the EcoCash service offering, new services were introduced which include: bill payments, bulk payments, merchant services, as well as banking-related facilities. The provision of banking-related services necessitated the integration of most of the banks in Zimbabwe onto the EcoCash platform. Through this intergration new features such as the bank to wallet functionality that allows banked customers to transfer money from their bank account to their mobile wallet were launched. Further to this the EcoCash debit card which facilitates payments to retailers and other merchants was introduced. These innovations introduce a greater level of convienence to our subscribers and makes the technology relevant for their day to day lives.

Another first by the Company was the introduction of the exciting "Buddie Zone", a service that allows customers to receive exciting dynamic discounts for voice calls. This innovative concept has allowed for network resources to be more optimally utilised.

Broadband continues to gain popularity due to its high speed, excellent quality and the most extensive coverage of any operator in Zimbabwe. Data subscribers increased by 52% from 2.1million to 3.2 million in the year under review.

The Green Kiosk initiative continued in the year under review. Under this initiative traders have the opportunity to merchandise airtime, accessories, lanterns and other products. This is yet another example of how the Company is transforming the lives of ordinary people by giving small traders an opportunity to retail the Company's products and creating for them unique opportunities to better their lives. At the same time this initiative allows the provision of free solar powered phone charging solutions to subscribers who have limited or no access to grid power.

Revenue for the year ended 28 February 2013 was US\$694.8 million, an increase of 14% compared to the previous year. Earnings Before Interest, Taxation, Depreciation and Amortisation (EBITDA) recorded a margin of 44%. Depreciation and amortisation increased by 54% to US\$71.6 million in line with growth of the asset base. Finance charges increased due to finalisation of the multi-creditor facilities in the year under review.

Total assets surpassed the US\$1,0 billion mark as of reporting date, registering a growth of 25% from last year. The debt to equity ratio improved to 54%, from 65% as at 28 February 2013. The Group increased its investment in TN Bank Limited from 45% (an associate as at half year) to 98.6% (a subsidiary). This investment has been accounted for as a subsidiary from the date control was assumed, on 31 January 2013.

Shareholders approved a 10 (ten) to 1 (one) ordinary share split at an Extraordinary General Meeting held on 28 February 2013.

# Corporate Social Investment

The Company has introduced a more sustainable way of assisting the marginalised members of our society. The Company set up the Higher Life Foundation, which consists of the following Trusts:

- Capernaum Trust, whose vision is to transform orphaned children into "History Makers" with a leadership mindset for global impact. There are currently over 41 000 "History Makers" who are benefiting through the Capernaum Trust.
  Joshua Nkomo Scholarship Fund (JNSF), the Scholarship Fund which so far has supported over 500 academically talented students on a full scholarship basis.
  National Health Care Trust Zimbabwe, whose vision is to be the "Partner of Choice" in all programmes aimed at responding to national healthcare crisis, such as cholera and typhoid, as well as building and paritations capacity in the national healthcare delivery extens.
- well as building and maintaining capacity in the national healthcare delivery system.

The Econet Wireless Zimbabwe operating licence was issued, as a 15 year licence in July 1998, and was scheduled to expire on the 9th of July 2013. The original licence, as is standard international practice, set out guidelines to be followed for the renewal process. It also stipulated a licence renewal fee of \$100 million.

I am pleased to advise that the operating licence has now been formally renewed by government, on substantially the same terms and conditions as the previous period, save for the fact that the licence period was extended to 20 years, and the renewal fee, was set at \$137.5 million.

Econet Wireless is inspired to change the world of its customers through relevant innovations that

address customer needs. Having made a significant investment in network capacity and coverage in the past few years the Company will continue to focus on improving its customer service platforms

All operators will be required to pay the same licence fee on renewal of their licences.

# distribution network, and further enhance its internet service delivery capabilities. Res

Outlook

sectors will continue so that the Company remains on the cutting edge of new and inspiring I would like to extend my appreciation to the outgoing Chairman Mr. Tawanda Nyambirai, for the guidance and leadership during his tenure. His invaluable contribution over a period spanning years in the Company's history is greatly appreciated. I extend my appreciation to our customers,

shareholders, strategic partners, and regulatory authorities for their unwavering support during the year under review. I would also like to thank management and staff for their commitment in creating value for all stakeholders. I acknowledge the tremendous support that I received from fellow Board members who provided insightful wisdom and direction which has propelled the Company to yet another level of success.

# DR J MYERS CHAIRMAN OF THE BOARD

14 May 2013

The cost of shares bought back during the year was US\$31.9 million (2012: US\$28.4 million). Total treasury shares on hand as at 28 February 2013 were 75 981 050 (2012: 105 444 310)

During the year the Company cancelled 82 574 590 shares which represents approximately 5% of the issued share capital as part of its strategy to return value to shareholders. It is the intention of the Company to cancel the shares on hand at an appropriate time.

The Directors do not consider it prudent to declare a dividend at this stage due to the ongoing commitments of the business.

# By order of the Board

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# Consolidated Statement of Financial Position As at 28 February 2013

All figures in US\$	AUDITED 28 FEBRUARY 2013	AUDITED 29 FEBRUARY 2012
ASSETS		
Property, plant and equipment Intangible assets and Goodwill Other non-current assets Deferred taxation Available for sale investments Financial instruments: Investments - other Financial assets at fair value through profit or loss Other current assets	690,805,885 15,583,200 15,012,637 5,642,613 3,010,797 9,896,415 58,006 275,100,402	605,846,714 7,991,004 9,385,389 2,686,315 4,692,566 14,161,138 52,976
Total assets	1,015,109,955	812,426,817
EQUITY AND LIABILITIES  EQUITY Share capital and share premium Retained earnings Other reserves Attributable to equity holders of the parent Non-controlling interests Total equity	35,697,496 453,138,968 568,775 489,405,239 3,477,998 492,883,237	33,124,930 345,478,251 1,342,726 379,945,907 2,847,008 382,792,915
LIABILITIES Deferred taxation Long-term interest-bearing debt Current liabilities Total liabilities	85,493,429 202,799,895 233,933,394 <b>522,226,718</b>	70,667,055 103,338,155 255,628,692 <b>429,633,902</b>
Total equity and liabilities	1,015,109,955	812,426,817

# Consolidated Statement of Comprehensive Income For the year ended 28 February 2013

All figures in US\$	AUDITED 28 FEBRUARY 2013	AUDITED 29 FEBRUARY 2012
Revenue	694,843,608	611,115,533
Earnings before interest, taxation,		
depreciation and amortisation	305,343,981	290,894,326
Depreciation and amortisation	(71,563,248)	(46,497,440)
Profit from operations	233,780,733	244,396,886
Finance income	2,653,217	2,105,472
Finance costs	(28,600,048)	(10,202,838)
Share of (losses)/ profits of associates	(2,930,659)	2,830,389
Profit before taxation	204,903,243	239,129,909
Taxation	(64,965,023)	(73,388,821)
Profit after taxation	139,938,220	165,741,088
Other comprehensive income Transfer of available-for-sale reserve on		
disposal of investments	-	(3,885,824)
Fair value loss on available for sale investments	(781,769)	(696,996)
Taxation effect of other comprehensive loss	7,818	159,652
Other comprehensive loss net of tax	(773,951)	(4,423,168)
Total comprehensive income for the year	139,164,269	161,317,920
Profit attributable to:-		
EWZL shareholders	139,593,292	165,734,129
Non-controlling interest	344,928	6,959
Profit for the year	139,938,220	165,741,088
T		
Total comprehensive income attributable to:- EWZL shareholders	138.819.341	101 010 001
Non-controlling interest	344,928	161,310,961 6,959
Total comprehensive income for the year	139,164,269	161,317,920
total comprehensive income for the year	139,104,209	161,317,920
Basic	0.09	0.10
Diluted	0.09	0.10
Headline	0.09	0.09
Number of shares in issue	1,640,021,430	1,715,542,020
Weighted average number of shares in issue	1,545,324,020	1,651,513,490

# Consolidated Statement of Changes in Equity For the year ended 28 February 2013

All figures in US\$	Share capital and share premium	Retained earnings	Other reserves	Attributable to equity holders of the parent		Total
Balance at 1 March 2011 Profit for the year	22,980,326	<b>258,891,276</b> 165,734,129	5,765,894	<b>287,637,496</b> 165,734,129	<b>2,840,049</b> 6,959	<b>290,477,545</b> 165,741,088
Other comprehensive loss	-		(4,423,168)	(4,423,168)	- 0,000	(4,423,168)
Issue of shares	10,144,604	-	-	10,144,604	-	10,144,604
Dividends paid		(50,696,679)	-	(00)000)010)		(50,696,679)
Share buybacks	-	(28,450,475)	-	(28,450,475)	-	(28,450,475)
Balance at 29						
February 2012	33,124,930	345,478,251	1,342,726	379,945,907	2,847,008	382,792,915
Profit for the year	_	139,593,292		139,593,292	344,928	139,938,220
Other comprehensive loss	-	-	(773,951)	(773,951)	-	(773,951)
Issue of shares	1,684,577	-	-	1,684,577	-	1,684,577
Share cancellation	(731,008)	-	-	(731,008)	-	(731,008)
Disposal of treasury shares	1,618,997	-	-	1,618,997	-	1,618,997
Share buybacks	-	(31,932,575)	-	(31,932,575)	-	(31,932,575)
Acquisition of subsidiaries	-	-	-	-	286,062	286,062
Balance at 28						
February 2013	35,697,496	453,138,968	568,775	489,405,239	3,477,998	492,883,237

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# Consolidated Statement of Cashflows

For the year ended 28 February 2013

All figures in US\$	28 FEBRUARY 2013	29 FEBRUARY 2012
Operating activities		
Cash generated from operations	216,176,544	315,327,155
Income tax paid	(53,096,888)	(36,465,392)
Net cash generated from operations	163,079,656	278,861,763
Investing activities		
Finance income	2.653,217	1,834,505
Acquisition of available-for-sale investments	(134,406)	(2,994,047)
Proceeds on disposal of available-for-sale	(134,400)	(2,334,047)
investments		5,285,524
Acquisition of held-to-maturity investments	(1.872.597)	(3,212,410)
Acquisition of associate	(20,000,000)	(0,212,410)
Net cash inflow on acquisition of subsidiary	16.597.538	_
Acquisition of property, plant and equipment	10,557,550	
and intangible assets	(147,609,295)	(216,014,254)
Proceeds on disposal of property,	(147,000,200)	(210,014,204)
plant and equipment	_	2,326,522
Net cash outflow on disposal of interest		2,020,022
in former subsidiary	_	(1,639,442)
Net cash used in investing activities	(150,365,543)	(214,413,602)
Financing activities		
Finance costs	(33,359,941)	(10,202,838)
Dividend paid	(00,000,041)	(36,371,846)
Share buybacks	(25,413,484)	(28,450,475)
Proceeds from borrowings	52,000,000	132,910,541
Repayment of borrowings	(31,807,690)	(56,231,257)
Issue of shares	3,303,659	-
Net cash flows (used in)/from financing activities	(35,277,456)	1,654,125
Net (decrease)/increase in cash and cash equivalents	(22,563,343)	66,102,286
Cash and cash equivalents at the beginning of the year		34,690,685
Cash and cash equivalents at the beginning of the year	78,229,628	100,792,971
	. 0/220/020	
Comprising:	04.007	0.750.000
Short-term investments	64,887	8,750,902
Bank balances and cash	78,164,741 78,229,628	92,042,069 100,792,971
Cash and cash equivalents at the end of year	78,229,628	100,792,971

# **Summarised Audited Segment Information**

For the year ended 28 February 2013

	2	28 February 2	2013	:	29 February 2	2012
	Cellular			Cellular		
	Network	Other		Network	Other	
All figures in US\$	Operations	segments	Total	Operations	segments	Total
Revenue from external						
customers	674,135,536	20,708,072	694,843,608	592,853,777	18,261,756	611,115,533
Depreciation and Amortisation	(70,552,386)	(1,010,862)	(71,563,248)	(45,529,366)	(968,074)	(46,497,440)
Segment profit/(loss)	141,337,575	(1,399,355)	139,938,220	157,294,062	8,447,026	165,741,088
Segment assets	981,837,567	33,272,388	1,015,109,955	782,918,169	29,508,648	812,426,817
Segment liabilities	470,848,799	51,377,919	522,226,718	413,266,977	16,366,925	429,633,902

This is a summarised segment report showing the Group's major segments, Cellular Network Operations and other segments. Included in "Other" segments are the following main segments: Banking Operations, Transaction Payment Solutions and Beverages.

### Notes to the Abridged Consolidated Financial Statements For the year ended 28 February 2013

The main business of Econet Wireless Zimbabwe Limited ("the Group") is mobile telecommunications and related value added services. The summarised consolidated financial statements incorporate the results of the subsidiaries and associates.

These financial statements are presented in United States dollars being the currency of the primary economic environment in which the Group operates.

These financial statements for the year ended 28 February 2013 were audited by Ernst & Young, Chartered Accountants (Zimbabwe). An unmodified audit opinion was issued on the financial statements.

### Accounting policies

The Group reports in terms of International Financial Reporting Standards ("IFRS"). The principal accounting policies of the Group have been applied consistently in all material respects with those of the previous year.

### Statement of compliance

The financial results which are summarised by these abridged Group financial statements have been prepared in conformity with 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

The abridged financial statements do not include all the information and disclosures required to fully comply with IFRS and should be read in conjuction with the Group's annual financial statements for the year ended 28 February 2013.

		Audited	Audited
	All figures in US\$	28 February 2013	29 February 2012
4.	Depreciation of property, plant and equipment	69,600,000	45,500,000
5.	Commitments for capital expenditure Authorised by the directors but not contracted	126,100,000	165,100,000

The capital expenditure will be funded through internal resources and supplier credit.

# Borrowings

The Company secured a multi-creditor loan facility of US\$307 million with a group of financial institutions.

# Financial investments are split into listed and unlisted investments. The carrying amounts of

the investments are equal to the market value and director's valuation. In a business acquisition, on 12 July 2012, the Company acquired 45% of the voting shares of

TN Bank Limited, a commercial bank incorporated and registered in Zimbabwe. This investment gave the Company significant influence over the financial and operating affairs of TN Bank Limited and as such it was accounted for as an associate from that date

The Company acquired a further 53.6% of the voting shares of TN Bank Limited on 31 January 2013 bringing its total interest to 98.6%. As a result, TN Bank Limited was consolidated as a

# Earnings per share

	Addited	Addited
All figures in US\$	28 February 2013	29 February 2012
Destination of the state of the		
Profit for the year attributable to ordinary shareholders	139,593,292	165,734,129
Headline earnings attributable to ordinary shareholders	140,094,317	155,236,720
Number of shares		
Weighted number of ordinary shares for		
the purposes of basic and diluted earnings per share	1,545,324,020	1,651,513,490
Basic and diluted earnings per share (dollars)	0.09	0.10
Basic and diluted headline earnings per		
share (dollars)	0.09	0.09

# 9. Contingent Liabilities

There are no material changes to the position reported in the last annual report published by

# 10. Events after reporting date

There have been no significant events after reporting date at the time of issuing this press

The Directors have assessed the ability of the Company to continue operating as a going concern and believe that the preparation of these financial statements on a going concern basis is still appropriate.

# **Tip-offs Anonymous**

**Deloitte & Touche** 

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Econet Wireless Zimbabwe Limited: Incorporated in the Republic of Zimbabwe. Company registration number 7548/98 | Directors: Dr. J. Myers (Chairman)\*, Dr. S.T. Masiyiwa, Mr. C. Fitzgerald\*, Mr. D. Mboweni, Mrs. T.P. Mpofu\*, Mrs. B. Mtetwa\*, Mr. T. Nyambirai retired from the Board on 12 December 2012 and Mr. J.G.B. Pattison retired from the Board on 31 August 2012. \*Non Executive | Group Company Secretary: C.A. Banda | 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: Ernst & Young, Chartered Accountants (Zimbabwe), Registered Public Auditors, Angwa City, Cnr Julius Nyerere Way/ Kwame Nkrumah Avenue, Harare, Zimbabwe.