ZIMBABWE STOCK EXCHANGE

2017
ZIMBABWE STOCK EXCHANGE
ANNUAL REPORT

www.zse.co.zw

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Benson Gasura	Non-Executive Director
Markus de Klerk	Non-Executive Director
Kholisani Moyo	Non-Executive Director
Maureen Rudo Svova	Non-Executive Director
Daniel Muchemwa	Non-Executive Director
Martin Matanda	Acting Chief Executive Officer
Obert Ngwenya	Finance Director

SECRETARY

Lyndon Tuyani Nkomo

REGISTERED OFFICE

44 Ridgeway North
Highlands
P.O. Box CY 2231, Causeway
Harare

AUDITORS

Ernst & Young
Chartered Accountants (Zimbabwe)
Registered Public Auditors
Angwa City
Cnr Julius Nyerere Way/Kwame Nkrumah Avenue
P.O Box 702
Harare

ATTORNEYS

Dube, Manikai & Hwacha
6th Floor , Goldbridge
Eastgate Complex
Sam Nujoma Street / R. Mugabe
P O Box 10400
Harare

Wintertons
Legal Practitioners
Beverley Corner
11 Selous Avenue
P O Box 452
Harare

PRINCIPAL BANKERS

Stanbic Bank Zimbabwe Limited

OUR **VISION**

To be the premier African stock exchange, with a best of breed trading platform with a relevant suite of securities products.

OUR **MISSION STATEMENT**

Zimbabwe Stock Exchange Limited exists to mobilise long term capital and to provide an efficient and reliable securities market.

OUR **VALUES**

Reliability - Delivery on promises;

Integrity - Beyond reproach in all dealings;

Quality - Diligence, rigour and excellence;

Customer Service - Passion for service; and

Innovation - We adapt to the changing environment to provide creative solutions to our stakeholders.

THE ZSE's

TRANSFORMATIONAL JOURNEY

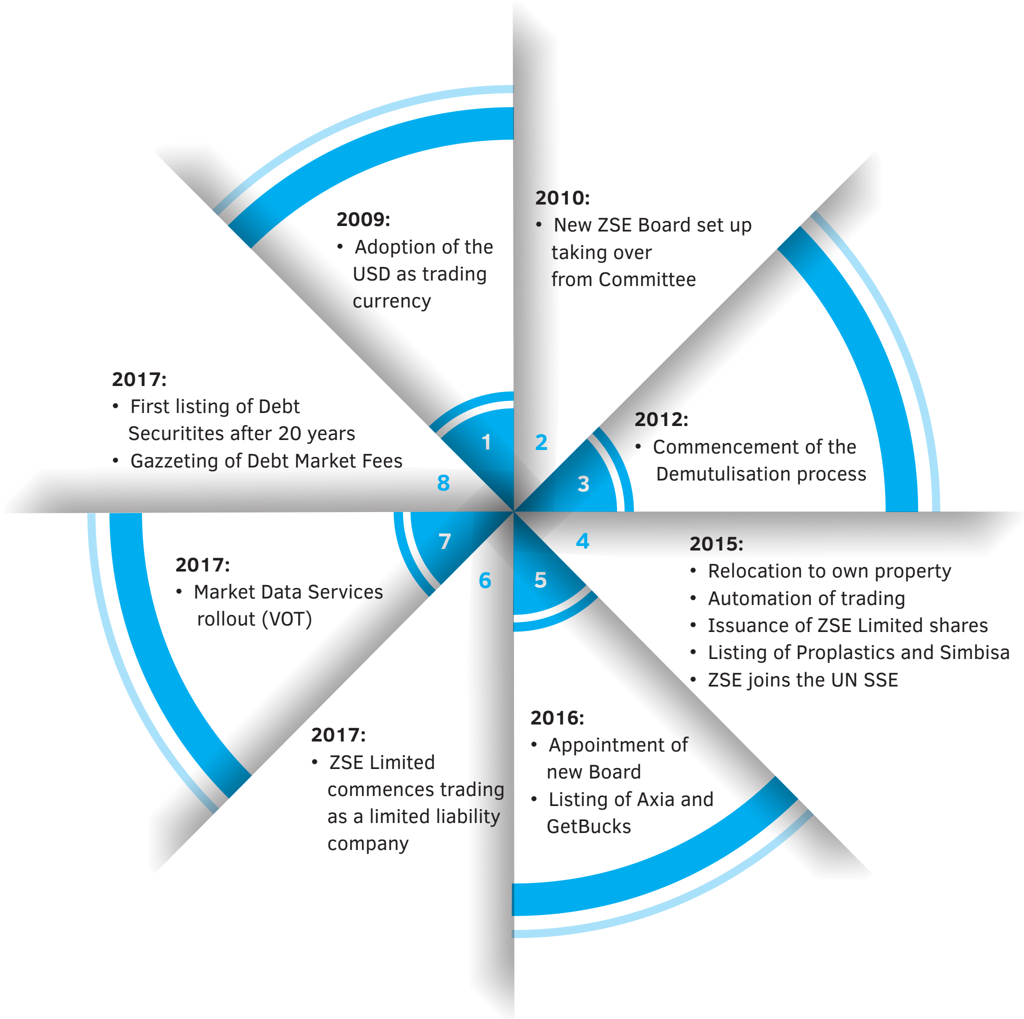
The Zimbabwe Stock Exchange Limited ("ZSE") is a securities exchange regulated in terms of the Securities and Exchange Act (Chapter 24:25) (the "Act") to provide for the listing and trading of securities. Securities are defined in the Act to include shares, debt securities, depository receipts, futures and contracts for differences. The ZSE currently facilitates trading of securities such as ordinary shares, debentures, bonds and other fixed income instruments.

Dating back to 1896, the ZSE has survived various macroeconomic and political phases over the years, evolving to be one of the longest established capital raising platforms in Africa. On 6 July 2015, the ZSE migrated to an online trading platform through its launch of the Automated Trading System (ATS), which replaced the traditional open-outcry manual trading system.

Roles of the Zimbabwe Stock Exchange Limited

- Facilitating raising of long term capital for companies, government and quasi-government institutions;
- Providing a regulated platform for buying and selling of securities;
- Provision of information such as historical financial data, securities prices, market reports and market statistics of listed firms among others; and
- Regulating stockbrokers and security issuers (listed entities).

As with any business, the key to survival is suitable strategy formulation and execution in line with the changes in the environment the ZSE operates in. Since the adoption of the multicurrency regime in 2009, the ZSE has evolved as follows:



THE ZSE's

ENGAGEMENT APPROACH

Our Key Stakeholders

This section summarises and assesses the ZSE's key stakeholders and their significance to the company's strategy.

Stakeholder	Need or interest?	Action Required of ZSE
Ministry of Finance and Economic Development	• Needs for market information • Revenue • Capital	• Lobby through presentation of discussion papers • Include Ministry officials in projects, meetings and training seminars • Need to influence policies • Introduce Debt market
Securities and Exchange Commission of Zimbabwe	• Needs transparency • Effective regulation • Rules that promote fairness • Require ZSE compliance with regulatory requirements	• Information efficiency • Engage regulator on enabling regulations • Pricing framework • Continuous engagement at all levels • Investor education engagement
Reserve Bank of Zimbabwe	• Needs information • Monitoring compliance with Exchange Control Act (Chapter 22:05) • Comply with Anti-Money Laundering and Counter-Financing of Terrorism	• Continuous engagement on Debt market • Memorandum of Understanding on Central Security Depository connectivity with the ZSE Automated Trading System
Brokers	• Enable trading • Uptime trading platform • Viable market	• Revamp of Membership & ATS Rules • Benefits of membership to individuals • Explore more utilisation of ZSE ATS • Technical engagements with members • Market pricing • Index Committee
Issuers	• Require a credible regulated platform to raise capital so as to attract investors. • Need good customer service which is tailored to unique circumstances. • Important to be regulated to protect investors.	• Attend shareholders' meetings and analysts' briefings • Familiarisation tours of issuers' businesses • Understand the issues facing issuers and lobby policymakers wherever possible. • Carry out exit interviews for issuers delisting. • Maintain contact with issuers after de-listing and look for opportunities for re-listing • Carry out annual customer satisfaction surveys.

THE ZSE's

ENGAGEMENT APPROACH (continued)

Stakeholder	Need or interest?	Action Required of ZSE
Investors	• Need to receive accurate information in a timely manner. • Need for good corporate governance on listed companies. • Transparency in the market • Lower transaction cost • Diversification of products	• Provide information on website. • Provide direct acces to Automated Trading System through View Only Terminals & Client Binding terminals • Engagement with institutions • Continuous retraining
Small to Medium Enterprises (SME)	• Need platform to raise capital at reasonable cost. • Want to increase brand awareness of their companies. • Need to understand corporate governance.	• Launch Zimbabwe Emerging Enterprise Market. • Train and educate
Insurance and Pensions Commission (IPEC)	• Regulator of the insurance industry who are some of the largest local institutional investors on the ZSE. Some of the companies are also either issuers or main subsidiaries of our issuers.	• Have quarterly meetings.
Public Accountants and Auditors Board	• Regulator of the accounting profession. Members of the profession are the preparers and auditors of financial statements of listed companies. Technical expertise from the work of the Financial Reporting Monitoring Panel (FRMP) used by the ZSE. Also critical in providing input on the financial aspects of the Listings Rules.	• Attend FRMP meetings. • Have bi-annual meetings.
Employees	• Job security • Intrinsic satisfaction • Opportunities for career development and growth • Training	• Continuous review of organisational structure and staffing levels • Creating an enabling environment for training and development • Review and align compensation trends to market dynamics.

ENGAGEMENT APPROACH (continued)

Stakeholder	Need or interest?	Action Required of ZSE
Community	• Responsible behaviour and governance.	• Adherence to corporate governance framework. • Development and implementation of corporate citizenship policies.
Media	• Requires timely and accurate market information • Information about transformation initiatives being implemented by the ZSE. • Training on capital markets	• Disseminate daily market data in a timely manner. • Close cooperation on capital market developments. • Development of framework to gauge participation of media houses on ZSE events.
Chengetedzai Depository Company	• ZSE integration with central depository system • Accurate market data • Needs close cooperation	• Engagement on settlement processes for all securities
Shareholders	• Return on Investment • Shareholder updates on information • Platform to trade shares	• Timely provision of relevant information

THE ZSE's

ENGAGEMENT APPROACH (continued)

ZSE staff with visitors from Reserve Bank of Malawi and Malawi Stock Exchange

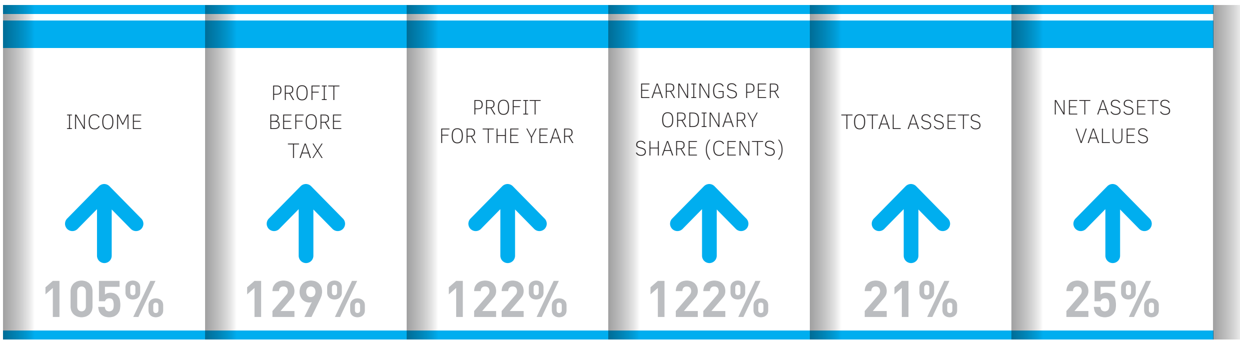
Students hosted by the ZSE during the Global Money Week in March 2017

Rebranding ceremony for First Mutual Properties Limited (formerly Pearl Properties)

THE ZSE's

FINANCIAL HIGHLIGHTS

	2017 $000	2016 $000	% Change
Income	2 216	1 082	105%
Profit / (loss) before tax	350	(1 193)	129%
Profit / (loss) for the year	257	(1 193)	122%
Total Assets	3 353	2 779	21%
Net Assets Value	1 267	1 011	25%
Earnings per ordinary share (cents)	256.76	(1 192.17)	122%



CHAIRMAN's

STATEMENT

Introduction

The year 2017 started with the Board rolling out the 2017-2021 Strategic Plan, a blueprint which focuses on long term transformational growth. During the year under review, the Company obtained the requisite regulatory approvals for the assumption of assets and liabilities from the mutual society through a scheme of reconstruction. I am therefore pleased to present to you, the financial, operational and strategic output of the Zimbabwe Stock Exchange Limited for the year ended 31 December 2017.

Operating Environment

The financial year ended 31 December 2017 was characterised by immense challenges in the first nine months of the year, with a significant shift in the political landscape in the last quarter of 2017. According to the Ministry of Finance and Economic Planning, the country's economic growth increased from 0.7% in 2016 to real GDP growth of 3.7% in 2017. The growth was on the back of strong performance in mining and agriculture. Despite the growth, the economy continued to face structural challenges from weak domestic demand, high public debt, weak investor confidence and a challenging political environment.

The country experienced liquidity challenges and acute foreign currency shortages which continued to affect market performance in the first half of 2017. ZSE's Industrial Index reached an all-time high of 533.20 points on 15 November 2017. It is our opinion that the market was responding to fears of hyperinflation as investors retreated from the money market. We witnessed a sharp decline in the ZSE's Industrial Index following a change in Government in November 2017.

Financial Review

The Exchange is one of the largest securities exchanges in Africa with a vision of building a diversified exchange with a global reach. Due to the upturn in trading activity in second half of the year, total income increased by 105% from $1.082 million in 2016 to $2.216 million in 2017.

The ongoing cost optimisation strategies resulted in a reduction of 19% in operating costs from $2.188 million incurred in 2016 to $1.770 million in 2017.

Following the regulatory approvals for the assumption of assets and liabilities on 1 January 2017, an income tax expense of $0.093 million was incurred in 2017. The Company posted a profit after tax of $0.257 million compared to a loss of $1.193 million in the preceding year. Due to the improved profitability, total assets grew by 21% from $2.779 million in 2016 to $3.353 million as at 31 December 2017. Detailed analysis of the Company's financial performance, position and strategic focus are contained in the Chief Executive Officer's Report.

The Company's Sustainability Strategy

The Exchange joined the United Nations' Sustainable Stock Exchange Initiative ("UN SSEI") in December 2015 in recognition of the contributory role of sustainable capital markets towards economic growth. With the Government's re-engagement thrust, the Company is increasing focus and dialogue on sustainability matters as these are key considerations for attracting Foreign Direct Investment. Part of the Exchange's sustainability short term goals include inclusion of requirements for sustainability disclosures by issuers in the Listings Rules, introducing

CHAIRMAN's STATEMENT (continued)

sustainability indices as well as encouraging the issuance of green bonds in the medium term with the revival of the debt market and the improved investor sentiment post November 2017.

Directorate

The term of the Zimbabwe Stock Exchange Limited Board appointed on 1 February 2016 ends on 31 January 2020. The term limit is subject to the annual Director rotation in accordance with the Articles and Memorandum of Association of the Company. There was no change to the Directorate except for the Chief Executive Officer, Mr Alban Dhladhla Chirume, who left the Company on 16 June 2017.

Dividend

In view of the need to retain sufficient cash reserves for working capital management, planned system upgrade and planned redemption of the long term loan, the Directors have resolved not to pay a dividend for the year ended 31 December 2017 .

Looking Ahead

As we set ahead for 2018 and beyond, the Board is setting a foundation for creation of value to stakeholders on a sustainable basis. Although 2018 is an election year which may be characterized by a wait and see attitude by investors, the Board is confident of meeting targets set for the year.

We are in the midst of remarkable changes in our capital market industry with traditional business models being disrupted by new technologies and emergent competition. As such we will continue with the technology investment cycle because we understand that technology strategy is business strategy. I wish to assure you that your Board is cognisant of the threats and opportunities thereto and as such responsive through implementation and remodelling the Company's strategic focus.

Appreciation

I wish to take this opportunity to express my deepest gratitude to our shareholders, the Minister of Finance and Economic Development, the Securities and Exchange Commission of Zimbabwe ("SECZ"), and colleagues on the Board for your invaluable support during this transition and transformation of the Exchange to a world class securities market.

I also wish to record my appreciation to our customers, suppliers, other regulators and stakeholders for your continued support in the development of the capital markets. Finally, on behalf of the Board, I would like to acknowledge the hard work and commitment to the business and the implementation of initiatives by management and staff.

Caroline Sandura
Board Chairman

12 April 2018

CHIEF EXECUTIVE OFFICER's
STATEMENT

Introduction

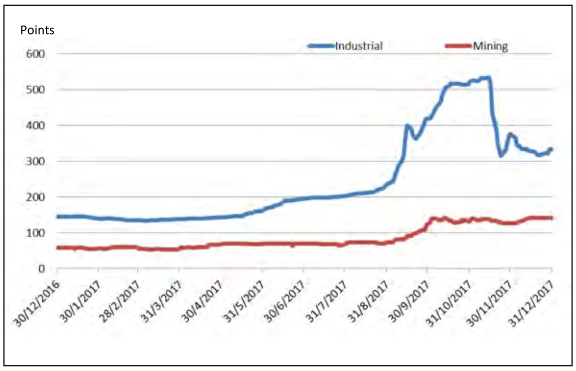
In 2017, the Zimbabwe Stock Exchange's assets and liabilities were acquired and assumed respectively by the successor entity Zimbabwe Stock Exchange Limited through an approved scheme of reconstruction.

Whilst the macroeconomic factors were largely unfavourable for the greater part of the year, the political events in the last quarter of 2017 had a positive impact on the trading levels as well as financial performance of the bourse overall. The Company posted a remarkable financial performance compared to the preceding two financial periods in which significant losses were incurred.

Trading and Market Performance

The country experienced liquidity challenges and acute foreign currency shortages which continued to affect market performance in the first half of 2017. ZSE's Industrial Index reached an all-time high of 533.20 points on 15 November 2017, supposedly being the market's response to fears of hyperinflation as investors accelerated hedging measures. Resultantly the market capitalisation peaked to $15 billion.

After the inauguration of the new Government, the market capitalisation and the Industrial Index retreated sharply to close the year on $9.5 billion and 333.02 points respectively.



The competitive landscape in the capital markets' space is changing as SECZ licensed Financial Securities Exchange (Finsec) as an Alternative Exchange in September 2016. Finsec became operational in early 2017.

The market recorded the highest turnover of $694.87 million post dollarization on the back of significant trading activity in the second half of 2017.

Market Participants Admission

In line with our strategic objective of broadening and deepening the capital market, ZSE admitted two additional corporates, one individual member and two non-member institutions during the year under review. The table below shows the distribution of market participants as at 31 December 2017.

	Corporate members	Individual members	Non-Member Institutions
Brought Forward	13	32 (Practising)	13
		20 (Non practising)	
New members	2	1	2
Members cancelled/suspended	0	0	0
Total	15	53	15

Strategic Focus and Delivery

Considerable progress was made on introducing new products with the support of the stakeholders. On 8 February 2017, ZSE introduced View Only Terminals ("VOTs"), the first out of its data suite of products. VOTs provide users viewing rights to the ATS's live trading sessions on a subscription basis. Indeed, such a feat is part of diversifying revenues through monetising the ATS which went live in July 2015.

ZSE's Debt Market levies were gazetted in May 2017, bringing the transaction costs down to 0.2195% from 4.136% (total cost of buying and selling), in line with regional trends and thus making the ZSE attractive to investors. GetBucks' Medium Term Notes were also listed in 2017, becoming the first Debt Market instrument to be listed post the introduction of the ATS. The listing also heralded the revival of the Debt Market, a project which the ZSE had been working on since 2014.

Projects Update

The revised Debt Market Listings Requirements, which were approved by the Securities and Exchange Commission in June 2016, could not be launched in 2017 owing to delays in the gazetting process. Despite this setback, the ZSE listed the USD5.4 million Getbucks Medium Term Notes in April 2017 using the existing Listings Requirements.

The listing of the debt instruments signalled the revival of the ZSE Fixed Income Board, which had been dormant since the late 1990s. The Debt Market Trading levies were successfully gazetted in May 2017, a significant step in ensuring that fixed income securities trading would not be hindered by high charges applicable to equity securities. The ZSE expects the gazetting of the revised Debt Listings Requirements to be finalised in 2018.

The ZSE successfully rolled out the first phase of Data Vending in 2017, through the launch of View Only Terminals in February 2017. The ZSE closed the year with 23 VOT subscribers. The Market Data Policy was also successfully launched in October 2017 with plans to roll out historical market data products from January 2018.

The ZSE carried out a feasibility study, which included a local market survey and a visit to the Botswana Stock Exchange, on Exchange Traded Funds (ETFs) in 2017. The results of the feasibility study revealed that there is demand for ETFs from both potential investors and potential issuers.

The study also indicated that there is need to relax certain pension fund investment rules on foreign asset exposure, to ensure that successful ETFs from outside Zimbabwe can also list on the local bourse. The ZSE is progressing ahead with crafting the ETFs listing framework with the plan to have this framework approved and gazetted by end of 2018.

The refreshed ZSE Listings Requirements could not be launched in 2017 as a result of the delays encountered in the gazetting process. Consequently this has delayed the implementation of the Zimbabwe Emerging Enterprise Market ("ZEEM"), a market segment aimed at SMEs. The ZSE now looks forward to the gazetting of the revised listings requirements in 2018, which will allow the crafting of the Statutory Instrument to implement ZEEM Listings Requirements.

Corporate Social Development

With the support of the community we operate in, the ZSE carried out various targeted initiatives towards fulfilling its role of being a good corporate citizen. Such initiatives have a tendency to reach new markets, enhance visibility and foster long-term, sustainable relationships with stakeholders. Pursuant to the promotion of financial inclusion, ZSE became a member of the Capital Markets and Insurance as well as Youth Thematic Groups for the National Financial Inclusion Strategy Project, a country-wide project led by the Reserve Bank of Zimbabwe. In addition, the ZSE continued to give back to society through offering investor education sessions, at no cost to the participants. Such sessions are open to all but were mostly taken up by educational institutions. The highlight of the sessions was the ZSE's participation in the Global Money Week in March 2017 where the ZSE collaborated with Junior Achievement Zimbabwe and the Child and Youth Financial Inclusion Workshop hosted by the RBZ in October 2017. To also promote financial inclusion, the ZSE worked with SECZ, CDC, Finsec, InfoTech and the stockbrokers to introduce the Online Trading project, which will allow investors to trade from their mobile phones. ZSE Limited also became a tax-paying entity, following its corporatisation and thus also directly contributed to the fiscus in 2017.

Financial Performance Review

In a tough operating environment, we made hard pro-active decisions to ensure the medium to long term sustainability of the business. This included reduction of employment costs and other discretionary spend.

This together with the late uptick in trading activity in the third and fourth quarter of the year resulted in an improved financial performance. On the back of record market turnover of $694.87 million traded post dollarization, the Company recorded total income of $2.216 million in 2017 compared to $1.082 million during the year ended 31 December 2016. This represents a year on growth of 105%. The transactional activity (ZSE levy) of $1.390 million for the year represents income contribution of 63% compared to $0.388 million in 2016, a contribution of 36%.

Total operating costs declined by 19% to $1.770 million. Prior year operating costs included an impairment loss on building of $0.312 million. Excluding the once-off impairment charge, the operating costs reduction would have been 6%. Total operating costs to total income ratio improved from 202% in 2016 to 80% in 2017 while staff costs to total income improved from 81% in 2016 to 40% in 2017.

The impact of cost optimisation strategies and increase in transaction activity resulted in the Company recording a profit after taxation of $0.257 million compared to a loss of $1,192 million in 2016.

Financial Position Review

The Board believes the Company is appropriately capitalized given the nature of multiplicity of risks we face. The Bond of $1.50 million to finance acquisition of the trading system issued by the Company is payable in a single bullet payment on 9 November 2019. The loan subordination agreement provides for capital contribution towards redemption of the Bond.

The Company's total assets grew by 21% from $2,779 million in 2016 to $3,353 million in 2017. The net asset value of $1,267 million was above the statutory minimum of $1 million stipulated by the regulator.

New Economic Order

The new economic order ushered in following the inauguration of President E. D. Mnangagwa on the 24th of November 2017 is expected to attract the much needed Foreign and Domestic Direct Investment. The new direction was reinforced with subsequent announcements through the 2018 Budgetary and Monetary Statements.

In particular the statements alluded to contained policy shifts which present the Company with opportunities for customer growth and increased foreign investor trading activity. The Amendments to the Indigenization and Economic Empowerment Act which open up all sectors of the economy and only restricts the extractive sectors that is diamond and platinum, should result in increased capital flows to the economy. The proposed state owned and parastatal enterprise reforms are expected to present opportunities to the company in respect of providing a platform for capital raising initiatives.

Prospects

Our strategic delivery initiatives for 2018 are focused on product diversification through improving the market infrastructure in particular the ATS, digital transformation through launch of online trading and gazetting of legislative reforms for new products. As An ICT driven Company, it is compelling to be customer driven and innovative hence the need to upgrade the trading system.

CHIEF EXECUTIVE OFFICER's STATEMENT (continued)

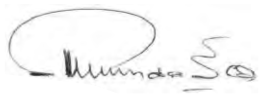
In an increasingly competitive environment, your Company will continue to improve on its visibility and market positioning. As part of this strategy post year end, two new indices the All Share and Top 10 were launched on 1 January 2018. We will continue on the cost management focus to deliver value to the Company's stakeholders. This will, in turn, include review of the pricing of the Company's products and services and pass on the resultant benefits to our valued customers.

Appreciation

Although the year ended 31 December 2017 was a challenging one to navigate, we delivered a commendable set of financial results. This would not have been attainable without the dedication and support of the Team ZSE. We have worked hard to build confidence and trust with our Issuers, Trading and Market Participants and the investing community who drive and derive value in our market.

We appreciate all our shareholders for their engagement and input into the strategic direction of the Company. I also wish to convey my gratitude and appreciation to the Board for their counsel in the strategic direction and entrepreneurial leadership of the Company.

Finally, I thank all our various customers, suppliers, the SECZ and the Government of Zimbabwe for the invaluable support they continue to offer to the company.



Martin Matanda
Acting Chief Executive Officer

12 April 2018

REPORT ON CORPORATE GOVERNANCE

The Board of Directors of Zimbabwe Stock Exchange Limited (the company) is cognisant that good governance requires continuous effort. In order to achieve good governance, the Board remains committed to the establishment, monitoring and implementation of the highest corporate governance standards in the operations of the company. The Board continuously reviews these standards to ensure that it modifies and aligns them with local and international corporate governance requirements. Among the Board's top priorities is ensuring effective internal controls are in place and processes are aligned to enable timely and accurate disclosure of material information about the company.

ZSE BOARD COMMITTEES

Listings Committee

The Listings Committee is chaired by an Independent Non-Executive Director and comprises Non-Executive Directors and external technical experts with experience in financial advisory services. The Chief Executive Officer, Executive in charge of Issuer Regulation and representatives of the Securities and Exchange Commission of Zimbabwe attend the meetings by invitation. The Listings Committee meets monthly and on an ad-hoc basis as necessary to make determinations pursuant to the Listing Requirements. The members of the Committee as at 31 December 2017 were:-

Mr. B. Mswaka (Chairman)
Mrs. M.R. Svova
Mr. K. Moyo
Mr. R. Ndamba
Dr. G. Muponda
Mr. V. Blerk

Audit and Risk Committee

The Audit and Risk Committee is chaired by an Independent Non-Executive Director, comprises of Non-Executive Directors and meets at least quarterly. The Committee's brief includes reviewing the annual financial statements, financial control, effectiveness of the systems of governance, risk management and adequacy and efficiency of internal controls. The Committee formulates the organisation's investment strategy and policy and reviews the investment opportunities available to the company as well as financing and capital structure of the company.

The Committee reviews the principles, policies and practices adopted in the preparation of the financial statements of the company and assesses whether the financial statements of the company and any formal announcement relating to the organization comply with statutory requirements. In addition the Committee oversees the external audit process and is responsible for recommending for appointment of the external auditors as well as the remuneration of the external audit engagements. The external auditors are invited to attend the Committee's meetings. The members of the Committee as at 31 December 2017 were:-

Mr. D. Muchemwa (Chairman)
Mr. B. Gasura
Mrs. M.R. Svova
Mr. M. de Klerk

Human Resources and Nominations Committee

The Human Resources and Nomination committee determines the remuneration for the Executive Directors and other executive management. It also considers the composites of the Board and its committees, and makes appropriate recommendations to the Board regarding the retirement, appointment and replacement of Directors. The Committee's brief includes reviewing of human capital policies, performance measurement, reviewing and approval of staff remuneration and conditions of service. The members of the Committee as at 31 December 2017 were:-

Mrs. C. Sandura (Chairman)
Mr. B. Mswaka
Mr. K. Moyo

Business Development and ICT Committee

The Committee's broad role is to assess and oversee the organisation's capacity to operate an efficient ICT infrastructure that supports business objectives and operate an efficient Business Development Unit that is assessing new business opportunities to develop income streams outside the traditional markets.

The Committee also provide oversight of company's business development activities, annually review company's business development performance to ensure that business development activities are aligned to the company's mission and vision, well aligned with strategic priorities and meet key performance metrics established for the business. The members of the Committee as at 31 December 2017 were:-

Mr. K. Moyo (Chairman)
Mr. B. Gasura
Mr. M. de Klerk

Membership Committee

The Committee's broad role is to regulate Membership issues; determine the fees, levies, penalties and subscriptions for ZSE Members, Non Member Institutions. The Committee prescribes the general conduct of the ZSE Members and also establish members' complaints and grievance handling procedures. The members of the Committee as at 31 December 2017 were:-

Mr. B. Gasura (Chairman)
Mrs. C. Sandura
Mr. D. Muchemwa

Non Executive Directors-Board and Board Committees Attendance During the year 2017

Name of Board Member	Board Meetings Number of Meeting 10	Business Development Committee & ICT Committee Meetings Number of Meetings 4	Listings Committee Meetings Number of Meetings 12	Human Resources Committee Number of Meetings 5	Audit and Risk Committee Number of Meetings 4	Membership Committee Number of Meetings 1
Mrs C. Sandura	10			5		1
Mr B. Mswaka	10		12	5		
Mr B. Gasura	10	3			2	1
Mr M. de Klerk	6	4			2	
Mrs M. Svova	10		12		4	
Mr K. Moyo	6	4	8	5		
Mr D. Muchemwa	8				4	1

Executive Committee (EXCO)

The EXCO is chaired by the Chief Executive Officer and consists of the heads of departments. The management for the Information Communication Technology, Compliance, Business Development and Trading attend the meetings by invitation. The Executive Committee meets on a weekly basis and its main duty is to assist the Chief Executive Officer in discharging his responsibility by ensuring that the company's strategic objectives and annual business plans as approved by the Board are being implemented, controlled and monitored.

The EXCO is the operational management forum responsible for the delivery of the company's operational plans. The EXCO acts as a link between the Board and management and is responsible for implementation of operational plans, annual budgeting and periodic review of strategic plans as well as identification and management of key risks. The members of the Committee as at 31 December 2017 were:-

Mr M Matanda (Chairman)
Mr O. Ngwenya
Ms L. F. Mushanguri

REPORT ON

RISK MANAGEMENT

As part of its risk management procedures, the Zimbabwe Stock Exchange Limited has developed risk management and internal control systems whose outputs are risk mitigation activities and risk communication strategies. Risk management is carried out by the Legal and Compliance Department under policies approved by the Board of Directors.

Risks influencing the environment in which the company operates are described below:

Operational Risk

Operational risk is the risk of direct or indirect loss resulting from inadequate or failed internal processes, people and systems.

The objective of operational risk management is therefore to mitigate the downside impact of these risks as far as possible, thereby ensuring the optimal application and protection of physical assets, while ensuring the continuity of the company's business.

The Board accepts overall responsibility of day to day management of operational risk delegated to management of the company.

Risk management controls are in place to lower the probability of operational risk occurring and the impact thereof.

Credit Risk

Credit risk refers to the risk that a counter party will default on its contractual obligations resulting in financial loss to the company. The company's exposure and the credit ratings of its counterparties are continuously monitored and credit exposure is controlled by counterparty limits that are reviewed and approved regularly by the Audit and Risk Committee.

Financial assets, which potentially subject the company to concentrations of credit risk, consist principally of cash, and short-term trade receivables. There is no significant concentration of credit risk with respect to cash and cash equivalents as the Exchange holds cash accounts with large financial institutions with sound financial and capital cover.

Liquidity Risk

Liquidity risk is defined as the risk that the company will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset. Liquidity risk arises because of the possibility that the company might be unable to meet its payment obligations when they fall due under both normal and stress circumstances. The company has developed internal processes and contingency plans for managing liquidity risk. The company also maintains a portfolio of highly marketable and diverse assets that are assumed to be easily liquidated in the event of an unforeseen interruption of cash flow. The company's liquidity risk profile is disclosed in this annual report.

Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash inflows of financial instruments will fluctuate because of changes in market interest rates. The company invests in money market instruments which are subject to changes in interest rates. Interest on floating instruments is repriced at intervals of less than one year. Interest on fixed interest rate instruments is priced at inception of the financial instruments and is fixed until maturity. The company's policy is to adopt a non-speculative approach to managing interest rate risk and to only invest in instruments that are approved by the Audit and Risk Committee of the Board of Directors.

Foreign Currency Risk

Foreign Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Company is not exposed to significant foreign exchange risk because all transactions and balances are in the functional currency, the United States Dollar.

Capital Risk

The company monitors its capital on the basis of the capital adequacy as stipulated in Statutory Instrument 100 of Securities (Registration, Licensing and Corporate Governance) Rules, 2010 with the objective of ensuring that the company continues as a going concern in order to provide returns to shareholders and benefits to other stakeholders.

Fair Value Risk

The Board of Directors are of the opinion that the carrying value of financial instruments carried at cost or amortised cost approximates fair value due to the short term nature of these investments. The fair value hierarchy of all financial instruments is disclosed in this annual report.

Legal Risk

This is the risk that a transaction or contract cannot be consummated due to a legal barrier such as regulatory prohibition on a specific counterparty and the non-enforceability of contracts and inadequate documentation. The Chief Executive Officer is responsible for addressing this risk and in conjunction with external legal counsel attends to managing this risk.

Price Risk

Price risk refers to a probable decline in the value of a security or a portfolio. The company is currently exposed to equity price risk and this is managed through determination of an appropriate exit strategy from the investment.

STATEMENT OF

DIRECTORS' RESPONSIBILITY

The Board of the Zimbabwe Stock Exchange Limited ("ZSE") is responsible for preparation and fair presentation of the financial statements and related financial information included in this report. It is their responsibility to ensure that the financial statements fairly present the state of affairs of the company as at the end of the financial year and the results of its operations and cash flows for the period then ended, in conformity with International Financial Reporting Standards (IFRS) and the requirements of the Zimbabwe Companies Act (Chapter 24:03).

In order for the Board to discharge its responsibilities, management has developed and continues to maintain a system of internal controls. The Board has ultimate responsibility for the system of internal controls and reviews its operation. The systems are implemented and monitored by suitably trained personnel with appropriate segregation of authority and duties. Nothing has come to the attention of the Directors to indicate that any material breakdown in the functioning of these controls, procedures and systems occurred during the year under review.

The Directors have made an assessment of the ability of the organisation to continue as a going concern and have no reason to believe that the business will not be a going concern in the future. Accordingly the financial statements have been prepared on the going concern basis.

The financial statements have been audited by the Company's external auditors, Ernst & Young, who have been given unrestricted access to all financial records and related data, including minutes of all meetings of Board of Directors and Committees of the Board. The financial statements were prepared under the supervision of the Finance Director, Obert Ngwenya. The Directors confirm that all representations made to the independent auditors, during the audit were valid and appropriate.

The accompanying annual financial statements for the year ended 31 December 2017 were approved by the Board of Directors on 12 April 2018 and signed on its behalf by:

C. Sandura
Chairman

12 April 2018

M. Matanda
Acting Chief Executive Officer

12 April 2018

Building a better working world

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Registered Public Auditors
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INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF ZIMBABWE STOCK EXCHANGE LIMITED

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of Zimbabwe Stock Exchange Limited (the Company) set out on pages 25 to 55 which comprise the statement of financial position as at 31 December 2017, the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information.

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2017, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

Basis for Opinion

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the Company financial statements for 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. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the Auditor's responsibilities for the audit of the financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

Key Audit Matter	How our audit addressed the matter
Issue 1- Valuation of unquoted investments	
The Company holds a 13.24% equity investment in Chengetedzai Depository Company which is carried at a value of $262,991 (2016: $262,991). The investment is classified as an available for sale investment, subsequently measured at fair value through other comprehensive income (OCI) as per the Company's accounting policy. The valuation of this investment has been identified as a key audit matter due to its complexity and judgment applied by management in determining an appropriate fair value as required by IFRS 13 'Fair value measurement'. These judgments involve making assumptions and estimates about future financial information which has a higher inherent risk and uncertainties that are beyond management's control. Refer to Note 5 and Note 15 to the financial statements for assumptions and judgments applied by management in determining fair value.	Our audit procedures, included: • Evaluation of management's assumptions on the valuation criteria used. • Reviewing reasonableness of the assumptions used by management using guidance from the measurement principles in International Financial Reporting Standards (IFRS). • Discussions with management to obtain insights on the assumptions and appreciate the basis for conclusions. • Reviewing events occurring after reporting date for significant matters affecting the accounting estimate. • Assessment of related disclosures in the financial statements in terms of the relevant accounting standards.

Other information

Other information consists of the financial highlights, the statement of the Chairman, the statement of the Chief Executive officer, report on risk management and the statement of directors' responsibility included in the financial statements, but does not include the Company's financial statements and our auditor's report thereon. The directors are responsible for the other information.

Our opinion on the Company financial statements does not cover the other information and we do not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the Company's 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 the other information obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Directors' Responsibilities for the Financial Statements

The Directors of Zimbabwe Stock Exchange Limited are responsible for the preparation and fair presentation of the Company financial statements in accordance with IFRS, 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 or error.

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the Company's 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 controls relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal controls.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the 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.

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

Report on Other Legal and Regulatory Requirements

In our opinion, the financial statements have been properly prepared in compliance with the financial provisions of the Companies Act (Chapter 24:03) as well as the Securities and Exchange Act (Chapter 24:25).

The engagement partner on the audit resulting in this independent auditor's report is Mr David Gwande (PAAB Practising Certificate Number 132).

Ernst and Young

ERNST AND YOUNG
CHARTERED ACCOUNTANTS (ZIMBABWE)
REGISTERED PUBLIC AUDITORS

Harare
16 April 2018

STATEMENT OF

PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the year ended 31 December 2017

	Note	31 Dec 2017 US$	31 Dec 2016 US$
Income			
Revenue	7	2 209 900	1 080 027
Fair value gain/(loss) on financial instruments	16	2 987	(643)
Other income	8	3 065	2 139
Total income		**2 215 952**	**1 081 523**
Expenditure			
Staff costs	9.1	(892 991)	(876 738)
Other operating expenses	9.2	(491 017)	(590 167)
Depreciation and amortisation expenses	9.3	(385 593)	(408 371)
Impairment of buildings	12	-	(312 478)
		(1,769 601)	**(2 187 754)**
Operating profit / (loss)	9	**446 351**	**(1 106 231)**
Finance income	10.1	23 348	33 621
Finance costs	10.2	(120 000)	(120 000)
Profit / (loss) before tax		**349 699**	**(1 192 610)**
Income tax expense	11	(92 849)	-
Profit / (loss) for the year		**256 850**	**(1 192 610)**
Other comprehensive income		**-**	**-**
Total comprehensive income / (loss) for the year		**256 850**	**(1 192 610)**
Basic earnings / (loss) per share (cents)		**256.76**	**(1 192.17)**

STATEMENT OF
FINANCIAL POSITION

As at 31 December 2017

	Note	31 Dec 2017 US$	31 Dec 2016 US$
Assets			
Non-current assets			
Property and equipment	12	1 021 125	1 220 928
Intangible asset	13	545 242	763 339
Investment in unquoted equities (available for sale)	15	262 991	262 991
Deferred tax asset	17	63 323	-
		1 892 681	**2 247 258**
Current assets			
Financial assets at fair value through profit or loss	16	6 266	3 279
Trade and other receivables	18	242 209	110 857
Cash and cash equivalents	19	1 211 344	417 345
		1 459 819	**531 481**
Total assets		**3 352 500**	**2 778 739**
Equity and liabilities			
Capital and reserves			
Share capital	20	1 000	1 000
Share premium	20	70 739	70 739
Non-distributable reserves	21	77 981	77 981
Retained earnings		1 117 742	860 892
Total equity		**1 267 462**	**1 010 612**
Non-current liabilities			
Long term borrowings	22.2	1 500 000	1 500 000
Current liabilities			
Short term borrowings	22.1	17 145	17 145
Trade and other payables	23	59 077	31 966
Provisions	24	352 644	219 016
Income tax payable	11	156 172	-
		585 038	**268 127**
Total equity and liabilities		**3 352 500**	**2 778 739**

These financial statements were approved on 12 April 2018 and signed on behalf of the directors by

Mrs. C. Sandura
Chairman
12 April 2018

Mr. M. Matanda
Acting Chief Executive Officer
12 April 2018

STATEMENT OF
CHANGES IN EQUITY

For the year ended 31 December 2017

	Share Capital US$	Share Premium US$	Non-distributable Reserves US$	Retained Earnings US$	Total US$
Balance at 1 January 2016	1 000	70 739	77 981	2 053 502	2 203 222
Total comprehensive loss for the year	-	-	-	(1 192 610)	(1 192 610)
Balance at 31 December 2016	1 000	70 739	77 981	860 892	1 010 612
Total comprehensive income for the year	-	-	-	256 850	256 850
Balance at 31 December 2017	1 000	70 739	77 981	1 117 742	1 267 462

STATEMENT OF
CASH FLOWS

For the year ended 31 December 2017

	Note	31 Dec 2017 US$	31 Dec 2016 US$
Cash flows from operating activities			
Operating profit / (loss)		446 351	(1 106 231)
Loss on disposal of motor vehicles and scrapping equipment	12	14 469	278
Fair value (profit) / loss on financial assets through profit or loss	16	(2 987)	643
Allowance for credit losses		15 129	6 210
Bad debts recovered		-	(4 750)
Impairment of building	12	-	312 478
Depreciation and amortisation	9.3	385 593	408 371
Operating profit (loss) before working capital changes		**858 555**	**(383 001)**
Increase in trade and other receivables		(146 477)	(33 585)
Increase in trade, other payables and provisions		160 739	60 275
Net cash inflow / (outflow) from operating activities		**872 817**	**(356 311)**
Cash flows from investing activities			
Proceeds from disposal of financial instruments	16	-	14 102
Proceeds from disposal of vehicles	12	42 379	-
Acquisition of property and equipment	12	(24 545)	(23 992)
Interest received	10.1	23 348	33 621
Interest paid	10.2	(120 000)	(120 000)
Net cash utilised in investing activities		**(78 818)**	**(96 269)**
Net increase / (decrease) in cash and cash equivalents		793 999	(452 580)
Cash and cash equivalents at beginning of the year		417 345	869 925
Cash and cash equivalents at end of the year	19	**1 211 344**	**417 345**

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2017

1. CORPORATE INFORMATION

The Zimbabwe Stock Exchange Limited (the “Company”) is incorporated and domiciled in Zimbabwe and was registered under the Companies Act (Chapter 24:03) on 31 December 2014(No. 10653/2014). The principal nature of business of the Company is to operate a Stock Exchange. The address of its registered office is 44 Ridgeway North, Highlands, Harare. The Company acquired the assets and liabilities of the Zimbabwe Stock Exchange through an approved scheme of reconstruction with effect from 01 January 2017.

The financial statements of the Company for the year ended 31 December 2017 were authorised for issue in accordance with the resolution of the Board of Directors on 12 April 2018.

2. BASIS OF PREPARATION AND COMPLIANCE

a) Statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB), which includes standards and interpretations approved by the IASB and Standing Interpretations Committee (SIC) interpretations issued under previous constitutions (IFRS). The financial statements have been prepared in compliance with the Zimbabwe Companies Act (Chapter 24:03).

b) Basis of preparation and going concern

The Directors have satisfied themselves that the Company is in a sound financial position and has adequate resources to continue in existence for the foreseeable future. Accordingly, they are satisfied that it is appropriate to adopt the going concern basis in preparing the financial statements. The financial statements have been prepared on a historical cost basis except where otherwise indicated. The principal accounting policies applied in the preparation of these financial statements have been consistently applied to all years presented, unless otherwise stated.

c) Functional and presentation currency

These financial statements are presented in United States dollars (US$) which is the company’s functional and presentation currency. Amounts are rounded off to the nearest dollar except where otherwise stated.

3. ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)

3.1 New and amended standards

There were a couple of amendments and improvements to existing standards that became effective for the Company at the beginning of the current year. None of the revisions had a material effect on the Company’s financial statements.

3.2 New and revised IFRS in issue but not yet effective

The below listing is of standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Company’s financial statements. The Company intends to adopt these standards, if applicable, when they become effective.

For the year ended 31 December 2017

3. ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS) (continued)

3.2 New and revised IFRS in issue but not yet effect (continued)

IFRS 9 Financial Instruments

IFRS 9 introduces new requirements for the classification and measurement of financial instruments. IFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early application permitted. IFRS 9 stipulates that financial assets are measured at amortised cost, fair value through profit or loss, or fair value through other comprehensive income based on both the entity's business model for managing the financial assets and financial asset's contractual cash flow characteristics.

The Company plans to adopt the new standard on the required effective date and will not restate comparative information. IFRS 9 will have an impact on the classification of the investment in unquoted securities held by the Company.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 establishes a single comprehensive model for entities to use on the accounting for revenue arising from contracts with customers. It will supersede the current revenue recognition guidance including IAS 18: Revenue and IAS 11: *Construction Contracts.* Either a full retrospective application or a modified retrospective application is required for annual periods beginning on or after 1 January 2018. Early adoption is permitted.

Under IFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The standard's requirements will also apply to the recognition and measurement of gains and losses on the sale of some financial assets that are not an output of the entity's ordinary activities (e.g. sales of items of property, plant and equipment). Extensive disclosures will be required, including disaggregation of total revenue; information about performance obligations; changes in contract asset and liability account balances between periods and key judgements and estimates.

The Company plans to adopt the new standard on the required effective date. It is expected that the new standard will not have a significant impact on the Company.

IFRS 16 Leases

IFRS 16 requires lessees to account for all leases under a single on-balance sheet model in a similar way to finance leases under IAS 17. IFRS 16 is effective for annual periods beginning on or after 1 January 2019. The standard includes two recognition exemptions for lessees:

- leases of low-value assets
- short-term leases

At the commencement date of a lease, a lessee will recognise a liability to make a lease payments and an asset representing the right to use the underlying asset during the lease term. Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

Lessees will be required to remeasure the lease liability upon the occurrence of certain events (e.g. a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset.

For the year ended 31 December 2017

3. ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS) (continued)

3.2 New and revised IFRS in issue but not yet effect (continued)

IFRIC Interpretation 22 Foreign Currency Transactions and Advance Consideration
The interpretation clarifies that, in determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it): on the derecognition of a non-monetary asset or non-monetary related asset, expense or income (or part of it): on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which an entity initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, then the entity must determine the transaction date for each payment or receipt of advance consideration. Entities may apply the amendments on a fully retrospective basis. Alternatively, an entity may apply the interpretation prospectively to all assets, expenses and income in its scope that are initially recognised on or after:

The beginning of the reporting period in which the entity first applies the interpretation.

or

The beginning of a prior reporting period presented as comparative information in the financial statements of the reporting period in which the entity first applies the interpretation.

The interpretation is effective for annual periods beginning 1 January 2018.

IFRIC Interpretation 23 Uncertainty over Income Tax Treatment
The interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affect the application of IAS 12 and does not apply to taxes or levies outside the scope of IAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments.

An entity must determine whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments. The approach that better predicts the resolution of the uncertainty should be followed. The interpretation is effective for annual reporting periods beginning on or after 1 January 2019, but certain transition reliefs are available.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

4.1 Revenue Recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured, regardless of when the payment is being made. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding discounts and Value Added Tax.

Transaction levy income is based on a percentage of the value of shares traded and is recognised on the dates of the transactions.

Annual listing fees are computed on the basis of market capitalisation of the listed securities as at 31 March. Initial listing income is recognised in the year in which the listing company makes floatation.

For the year ended 31 December 2017

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4.1 Revenue Recognition (continued)

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the company and the amount of income can be measured reliably. Interest income is accrued on a time basis by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition. Revenue from rendering of services is recognised by reference to the stage of completion of the transaction at the end of the reporting period. Where the outcome cannot be measured reliably, revenue is recognised to the extent that expenses incurred are eligible to be recovered.

4.2 Property and Equipment

All items of property and equipment are shown at cost less accumulated depreciation and accumulated impairment losses, if any. Cost includes expenditures that are directly attributable to the acquisition of the asset. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost can be measured reliably. Repairs and maintenance are charged to the profit or loss during the financial period in which they are incurred.

Land is carried at cost. No depreciation is provided on land or capital work-in-progress. Depreciation commences when the asset is available for use.

Depreciation on Buildings and Automated Trading System (ATS) Hardware (Computer Equipment) is calculated using the straight line basis over the estimated useful lives.

Other assets are depreciated using the reducing balance method to allocate the cost over the assets' estimated useful lives.

The estimated useful lives are as follows:

Buildings	50 years
Furniture, fittings and equipment	10 years
Computer equipment	3 to 5 years
Motor vehicles	4 years

The assets' residual values, useful lives and methods of depreciation are reviewed at each financial year end and adjusted prospectively if appropriate. The carrying values of property and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable in full.

An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Gains and losses on disposal of property and equipment are determined as the difference between the sales proceeds and the carrying amount of the asset at the date of disposal and taken into account in determining operating profit.

For the year ended 31 December 2017

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4.3 Intangible assets

Intangible asset represent ATS software license which is stated at cost less amortisation. Amortisation is calculated to write-off software costs on a straight line basis over the period of the licence (5 years). Costs associated with maintaining computer software programmes are recognized as an expense as incurred.

4.4 Impairment of tangible and intangible assets

At the end of each reporting period, the Company reviews the carrying amounts of its tangible and intangible assets to determine whether there is an indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated and an impairment loss is recognised in profit or loss whenever the carrying amount of the asset exceeds its recoverable amount.

4.5 Financial Instruments – initial recognition and subsequent measurement

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

4.5.1 Financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as financial assets at fair value through profit or loss, available for sale financial assets, loans and receivables. All financial assets are recognized initially at fair value plus, in the case of financial assets not recorded at fair value through profit or loss, transaction costs that are attributable to the acquisition of the financial asset.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognized on the trade date, i.e. the date that the Company commits to purchase or sell the asset.

Subsequent measurement

For the purposes of subsequent measurement, financial assets are classified in three categories:

- Financial assets at fair value through profit or loss
- Loans and receivables
- Available for sale financial assets

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value presented as finance costs(negative net changes in fair value) or finance income (positive net changes in fair value) in the statement of profit or loss.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortised cost using the effective interest rate (EIR) method, less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The losses arising from impairment are recognised in profit or loss.

For the year ended 31 December 2017

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4.5 Financial Instruments – initial recognition and subsequent measurement (continued)

4.5.1 Financial assets (continued)

Available for Sale (AFS) financial assets

AFS financial assets are comprised of investments in unquoted equities. Equity investments classified as AFS are those that are neither classified as held for trading nor designated at fair value through profit or loss.

After initial measurement, AFS financial assets are subsequently measured at fair value with unrealised gains or losses recognised in OCI and credited in the AFS reserve until the investment is derecognised, at which time, the cumulative gain or loss is recognised in other operating income, or the investment is determined to be impaired, when the cumulative loss is reclassified from the AFS reserve to the statement of profit or loss in finance costs. Interest earned whilst holding AFS financial assets is reported as interest income using the EIR method.

The Exchange evaluates whether the ability and intention to sell its AFS financial assets in the near term is still appropriate. When, in rare circumstances, the Exchange is unable to trade these financial assets due to inactive markets, the Exchange may elect to reclassify these financial assets if the management has the ability and intention to hold the assets for foreseeable future or until maturity.

For a financial asset reclassified from the AFS category, the fair value carrying amount at the date of reclassification becomes its new amortised cost and any previous gain or loss on the asset that has been recognised in equity is amortised to profit or loss over the remaining life of the investment using the EIR. Any difference between the new amortised cost and the maturity amount is also amortised over the remaining life of the asset using the EIR. If the asset is subsequently determined to be impaired, then the amount recorded in equity is reclassified to the statement of profit or loss.

Cash and cash equivalents

Cash and cash equivalents comprise cash at banks and on hand and short term deposits with an original maturity of three months or less and are measured at amortised cost.

For the purpose of the statement of cashflows, cash and cash equivalents consist of cash on hand, deposits in banks, bank overdrafts, and short term highly liquid investments readily convertible to cash.

Impairment of financial assets

Financial assets, other than those at fair value through profit and loss, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected. Objective evidence of impairment could include:

- Significant financial difficulty of the issuer or counterparty, or
- Default or delinquency in interest or principal payments, or
- If it is becoming probable that the borrower will enter bankruptcy or financial re-organisation, or
- The disappearance of an active market for that financial asset because of financial difficulties.

For financial assets carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

For the year ended 31 December 2017

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4.5 Financial Instruments – initial recognition and subsequent measurement (continued)

4.5.1 Financial assets (continued)

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the financial asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Impairment of Available for Sale (AFS) financial assets

For available for sale assets the Company assesses at each reporting date whether there is objective evidence that an investment or group of investments is impaired. In the case of equity investments classified as available for sale, objective evidence would include a significant or prolonged decline in the fair value of the investment below its cost. 'Significant' is evaluated against the original cost of the investment and 'prolonged' against the period in which the fair value has been below its original cost. Management exercises judgment in deciding the quantitative thresholds of what constitute a significant and prolonged decline in fair value below cost and accordingly, a decline below fair value of less than 20% for less than 12 months is not considered significant. No impairment loss has been recognized in the current year.

Derecognition of financial assets

The Company derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Company neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Company recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Company retains substantially all the risks and rewards of ownership of a transferred financial asset, the Company continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

4.5.2 Financial Liabilities

Classification of financial liabilities

The Company's financial liabilities include trade and other accounts payables, bank overdrafts and interest bearing loans (which are all classified as loans and borrowings). These are initially measured at fair value including transaction costs and subsequently at amortised cost. Gains or losses are recognised in profit or loss when the liabilities are derecognised as well as through the amortisation process.

The Company's financial liabilities comprise trade and other payables, loans and borrowings. Trade and other payables, loans and borrowings are subsequently measured as noted below:

For the year ended 31 December 2017

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4.5 Financial Instruments – initial recognition and subsequent measurement (continued)

4.5.2 Financial Liabilities (continued)

Trade payables

Trade payables are obligations to pay for goods or services that have been acquired or rendered in the ordinary course of business from suppliers. Trade payables are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer), if not, they are presented as non-current liabilities.

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

Loans and borrowings

All loans and borrowings are initially recognized at cost, being the fair value of the proceeds received net of issue costs associated with the borrowing. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortized cost using the effective interest method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process. Amortized cost is calculated by taking into account any issue costs, and any discount or premium on settlement.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss.

4.5.3 Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

4.5.4 Fair value of financial instruments

The fair value of financial instruments that are traded in active markets at each reporting date is determined by reference to quoted market prices or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs. For financial instruments not traded in an active market, the fair value is determined using appropriate valuation techniques. Such techniques may include using recent arm's length market transactions, reference to the current fair value of another instrument that is substantially the same; discounted cash flow analysis or other valuation models.

An analysis of fair values of financial instruments and further details as to how they are measured are provided in Note 14.

For the year ended 31 December 2017

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4.6 Provisions

Provisions are recognised when the Company has a present legal or constructive obligation as a result of a past event, and when it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

The expense relating to any provision is recognised in profit or loss net of any certain reimbursements. If the effect of the time value of money is material, provisions are discounted using a pre-tax discount rate that reflects, where appropriate, the risks specific to those provisions. Where discounting is used, the increase in the provision due to passage of time is recognised in profit or loss as a finance cost.

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the date of reporting.

4.7 Taxation

Following the completion of the demutualisation transaction, the Company is now registered for Income Tax.

Value added tax (VAT)

Revenues, expenses and assets are recognised net of the amount of Value Added Tax except:

When the Value Added Tax incurred on a purchase of assets or services is not recoverable from the tax authorities, in which case the Value Added Tax is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable, and

When receivables and payables are stated with the amount of Value Added Tax included the net amount of VAT recoverable from or payable to the tax authority is included as part of receivables or payables in the statement of financial position.

Income tax

Income tax expense represents the sum of the current income tax. The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the statement of profit or loss and other comprehensive income because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period. Management establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred tax

Deferred tax is recognised using liability method, on temporary differences arising between the tax bases of assets and liabilities and the carrying amounts in the financial statements. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the statement of financial position date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled. Deferred income tax assets are recognised only to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilised.

For the year ended 31 December 2017

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4.8 Employee benefits

Pension obligations

The Company operates a defined contribution pension plan and it also participates in the National Social Security Authority ("NSSA") statutory defined contribution pension plan. A defined contribution plan is a pension plan under which the Company pays fixed contributions into a separate entity. The Company has no legal or constructive obligations to pay further contributions if the Fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. The Company's contributions to the pension plans are charged to the profit or loss in the period to which the contributions relate.

Other short-term benefits

Other short-term benefits provided include staff membership of various medical aid societies.

4.9 Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of the Company are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The financial statements are presented in the United States of America dollar ("US$"), which is the Company's functional and presentation currency.

(b)Transactions and balances

Transactions in foreign currencies are initially recorded at their respective functional currency spot rates at the date the transaction first qualifies for recognition.

Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency spot rate of exchange at the reporting date.

All differences arising on settlement or translation of monetary items are taken to profit or loss. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. The gain or loss arising on retranslation of non-monetary items is treated in line with the recognition of gain or loss on change in fair value of the item (i.e. translation differences on items whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

5. CRITICAL ESTIMATES, JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINITY

In the process of applying the Company's accounting policies, management makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The key areas of judgement and estimation in applying the entities accounting policies are dealt with below.

For the year ended 31 December 2017

5. CRITICAL ESTIMATES, JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINITY (continued)

Useful lives and residual values of property and equipment

The Company assesses useful lives and residual values of property and equipment each year taking into consideration past experience, technology changes and the local operating environment. The useful lives are set out in note 4.2 and no changes to those useful lives have been considered necessary during the year. Residual values will be reassessed each year and where there are any changes adjustments for depreciation will be done in future periods. The carrying amount of the Company's property and equipment is $1,021,125 (December 2016: $1,220,928).

Provision for impairment of receivables

Provision for impairment of receivables is a specific provision made for trade and other receivables which is reviewed on a half yearly basis. In determining the recoverability of a trade receivables the Company assesses whether there has been a significant evidence of financial difficulty or increase in credit risk from the debtor or issuer from the date the credit was granted up to the end of the reporting period. Management uses estimates based on historical loss experience to arrive at the provision for impairment of receivables. Refer to Note 18 for the movement analysis.

Fair value and impairment of unquoted equities classified as available for sale

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable units.

The Company assesses if there has been a significant or prolonged decline in the fair value of the investment below its cost or there is information about significant changes in the operating environment with adverse effects in which the issuer operates in which may indicate that the carrying amount in the investment may not be recovered.

6. FINANCIAL MANAGEMENT

6.1 Financial risks management

Financial risks relates to financial instruments to which the Company is exposed during or at the end of the year. Financial risks comprise market risk (including the effects of changes in foreign currency exchange rates, equity prices and interest rates), credit risk and liquidity risk. The Company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Company's financial performance.

Risk management is carried out by the Finance Department under policies approved by the Board of Directors. Management identifies and evaluates financial risks.

(a) Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in the market prices. Market risk comprises three types of risk (i) foreign currencies, (ii) equity positions and (iii) interest bearing assets and liabilities, to the extent that these are exposed to general and specific market movements.

For the year ended 31 December 2017

6. FINANCIAL MANAGEMENT (continued)

6.1 Financial risks management (continued)

(a) Market risk (continued)

Foreign exchange risk
The Company's exposure to foreign exchange risk is currently low as most transactions and balances are in the functional currency, the US$.

Price risk
Price risk is the risk of a decline in the value of a security or a portfolio. This has an impact on market turnover and consequently levy income which the company has no control over.

Interest rate risk
Interest rate risk is the risk that the value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company manages the risk by maintaining an appropriate mix of fixed and variable instruments.

Interest on floating instruments is repriced at intervals of less than 1 year.

Interest on fixed interest rate instruments is priced at inception of the financial instruments and is fixed until maturity.

The Company's interest rate risk arises from investments in short-term placements and long-term debt obligations with floating interest rates.

(b) Credit risk
Credit risk is the risk that one party to a financial instrument will cause a financial loss to the other party by failing to discharge a contract. Credit risk arises from cash and cash equivalents, financial instruments and deposits with bank institutions, as well as credit exposures to customers, including outstanding receivables.

There is no significant concentration of credit risk with respect to cash and cash equivalents as the Company holds cash accounts with large financial institutions with sound financial and capital cover.

(c) Liquidity risk
Prudent liquidity risk management implies maintaining sufficient cash and marketable securities.

A maturity analysis of financial instruments as at 31 December 2017 is as follows:

For the year ended 31 December 2017

6. FINANCIAL MANAGEMENT (continued)

6.1 Financial risks management (continued)

(c) Liquidity risk (continued)

Description	Up to 3 months US$	3 Months – 1 year US$	1 year – 5 years US$	Total US$
As at 31 December 2017				
Assets				
Cash and cash equivalents	1 211 344	-	-	1 211 344
Trade and other receivables	214 835	27 374	-	242 209
Financial assets at fair value through profit or loss	6 266	-	-	6 266
Total Assets	**1 432 445**	**27 374**	**-**	**1 459 819**
Liabilities				
Interest bearing loans and Borrowings	-	17 145	1 500 000	1 517 145
Trade and other payables	59 077	-	-	59 077
Total Liabilities	**59 077**	**17 145**	**1 500 000**	**1 576 222**
Liquidity surplus / (gap)	1 373 368	10 229	(1 500 000)	(116 403)
Cumulative liquidity surplus / (gap)	1 373 368	1 383 597	(116 403)	(116 403)

A maturity analysis of financial instruments as at 31 December 2016 is as follows:

Description	Up to 3 months US$	3 Months – 1 year US$	1 year – 5 year US$	Total US$
As at 31 December 2016				
Assets				
Cash and cash equivalents	417 345	-	-	417 345
Trade and other receivables	69 190	41 667	-	110 857
Financial assets at fair value through profit or loss	3 279	-	-	3 279
Total Assets	**489 814**	**41 667**	**-**	**531 481**
Liabilities				
Interest bearing loans and Borrowings	-	17 145	1 500 000	1 517 145
Trade and other payables	31 966	-	-	31 966
Total Liabilities	**31 966**	**17 145**	**1 500 000**	**1 549 111**
Liquidity surplus / (gap)	457 848	24 522	(1 500 000)	(1 017 630)
Cumulative liquidity surplus / (gap)	457 848	482 370	(1 017 630)	(1 017 630)

NOTES TO THE
FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2017

6. FINANCIAL MANAGEMENT (continued)

6.1 Financial risks management (continued)

(d) Capital risk management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns to shareholder and benefits to other stakeholders; and to maintain an optimal capital structure to reduce the cost of capital. No changes were made to the objectives, policies or processes during the year ended 31 December 2017.

The Company monitors capital on the basis of the capital adequacy directive by the regulator, the Securities and Exchange Commission of Zimbabwe. Minimum capital adequacy as at 31 December 2017 and the previous year were as follows:

Description	31 Dec 2017 US$	31 Dec 2016 US$
Net asset value	1 267 462	1 010 612
Minimum capital adequacy	1 000 000	1 000 000
Excess Net Asset Value	267 462	10 612

7. REVENUE

Description	31 Dec 2017 US$	31 Dec 2016 US$
ZSE levy	1 389 738	387 721
Annual listing fees	722 012	630 737
Corporate action fees	41 890	11 050
Members subscription fees	35 438	34 125
Non-Member institutions subscription fees	17 862	16 394
Data vending	2 960	-
	2 209 900	1 080 027

8. OTHER INCOME

Description	31 Dec 2017 US$	31 Dec 2016 US$
Sale of publications	-	52
Venue hire	435	1 000
Training services	700	-
Miscellaneous income	1 930	1 087
	3 065	2 139

For the year ended 31 December 2017

9. OPERATING PROFIT / (LOSS)

Operating profit / (loss) is stated after taking into account the following items:

9.1 STAFF COSTS

Description	31 Dec 2017 US$	31 Dec 2016 US$
Basic salaries	520 761	650 421
Staff bonus	37 705	-
Long service gratuity	14 506	-
Other staff costs	177 552	35 475
Employer pension contribution	72 783	107 990
Leave pay expense	15 037	23 987
Medical Aid	37 620	36 272
Social security costs	11 642	15 340
Pension fund administration fees	5 385	7 253
	892 991	876 738

For the year ended 31 December 2017

9. OPERATING PROFIT / (LOSS) (continued)

Operating profit / (loss) is stated after taking into account the following items:

9.2 Other Operating Costs

Description	31 Dec 2017 US$	31 Dec 2016 US$
Website development costs	3 188	153 276
Board fees	108 050	89 083
Software licencing costs	86 105	42 440
Insurance	22 483	29 225
Motor vehicle fuel and oils	11 786	27 625
Rent and other premises costs	16 667	43 941
Security services	2 763	8 691
Audit fees	24 251	26 003
Computer systems support	24 294	18 449
Statutory levies	25 190	29 700
Motor vehicle service and other expenses	5 955	15 388
Subscriptions and publications	8 769	14 789
Staff lunches	8 125	10 868
Telephone and other communication expenses	9 880	20 006
Bad debts written off	-	9 884
Consultancy and professional services fees	20 613	7 865
Legal fees	28 299	6 850
Management fees – Sinking Fund agent	5 300	6 600
Staff training	4 161	6 094
Travelling and conferences	11 143	6 893
Printing and stationery	6 306	5 364
Annual report	905	4 888
Bank charges	4 964	4 739
Teas, cleaning and general office expenses	4 122	4 415
ATS escrow fees	2 404	2 418
Investor education and promotion	-	1 093
Marketing development costs	13 031	-
Annual general meeting expenses	1 382	950
Recruitment expenses	-	573
Loss on disposal of equipment and vehicles	14 469	280
Staff uniforms and protective clothing	82	101
Staff welfare	111	100
Entertainment, gifts & donations	1 090	-
Allowance for credit losses	15 129	(8 424)
TOTAL	491 017	590 167

For the year ended 31 December 2017

9. OPERATING PROFIT / (LOSS) (continued)

Operating profit / (loss) is stated after taking into account the following items:

9.3 Depreciation and Amortisation

Description	31 Dec 2017 US$	31 Dec 2016 US$
Buildings	14 588	14 332
ATS – Hardware equipment	118 346	118 346
Equipment, furniture and fittings	10 436	11 167
Vehicles	24 126	46 429
ATS – Software licence	218 097	218 097
	385 593	**408 371**

10. FINANCE COSTS AND INTEREST INCOME

10.1 Finance income

Description	31 Dec 2017 US$	31 Dec 2016 US$
Interest on short-term fixed deposits	23 119	33 440
Interest on staff loans and advances	229	181
	23 348	**33 621**

10.2 Finance costs

Interest paid – long term borrowings	120 000	120 000

For the year ended 31 December 2017

11. TAXATION

Description	31 Dec 2017 US$	31 Dec 2016 US$
a) Taxation charge		
Current year income tax expense	156 172	-
Deferred tax (note 17)	(63 323)	-
Income tax expense	**92 849**	**-**
b) Tax rate reconciliation		
Profit before tax	349 699	-
Tax at the Zimbabwe income tax rate (25.75%)	90 047	-
Adjusted for:		
Disallowable expenses	2 802	-
	92 849	**-**
c) Income tax payable		
Balance at beginning of year	-	-
Charge to profit or loss	156 172	-
Paid	-	-
Balance at the end of the year	**156 172**	**-**

For the year ended 31 December 2017

12. PROPERTY AND EQUIPMENT

Description	Land and Buildings	ATS Hardware	Equipment (including furniture and fittings)	Vehicles	Total
Cost					
At 01 January 2016	928 015	591 728	104 613	392 560	2 016 916
Additions at cost	9 565	-	12 700	1 727	23 992
Disposals	-	-	(941)		(941)
At 31 December 2016	**937 580**	**591 728**	**116 372**	**394 287**	**2 039 967**
Additions at cost for the year	21 919	-	2 626	-	24 545
Disposals	-	-	(813)	(190 523)	(191 336)
At 31 December 2017	**959 499**	**591 728**	**118 185**	**203 764**	**1 873 176**
Accumulated depreciation and impairment					
At 01 January 2016	(10 770)	(59 172)	(39 542)	(207 463)	(316 947)
Disposals	-	-	660	-	660
Impairment	(312 478)	-	-	-	(312 478)
Depreciation charge for the year	(14 332)	(118 346)	(11 167)	(46 429)	(190 274)
At 31 December 2016	**(337 580)**	**(177 518)**	**(50 049)**	**(253 892)**	**(819 039)**
Disposals	-	-	471	134 013	134 484
Depreciation charge for the year	(14 588)	(118 346)	(10 436)	(24 126)	(167 496)
At 31 December 2017	**(352 168)**	**(295 864)**	**(60 014)**	**(144 005)**	**(852 051)**
Net Book Value					
At 31 December 2017	**607 331**	**295 864**	**58 171**	**59 759**	**1 021 125**
At 31 December 2016	**600 000**	**414 210**	**66 323**	**140 395**	**1 220 928**

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2017

13. INTANGIBLE ASSET (AUTOMATED TRADING SYSTEM SOFTWARE)

Description	ATS Software licence US$
Year ended 31 December 2016	
Carrying amount at 1 January 2016	981 436
Amortisation charge for the year	(218 097)
Carrying amount at 31 December 2016	**763 339**
As at 31 December 2016	
Cost	1 090 484
Accumulated amortisation	(327 145)
Carrying amount	**763 339**
Year ended 31 December 2017	
Carrying amount 1 January 2017	763 339
Amortisation charge for the year 2017	(218 097)
Carrying amount at 31 December 2017	**545 242**
As at 31 December 2017	
Cost	1 090 484
Accumulated amortisation	(545 242)
Carrying amount at 31 December 2017	**545 242**

For the year ended 31 December 2017

14. FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

14.1 Fair value hierarchy

IFRS 7 specifies a hierarchy of valuation techniques based on whether the inputs to those valuation techniques are observable or unobservable. Observable inputs reflect market data obtained from independent sources; unobservable inputs reflect the Company's market assumptions. These two types of inputs have created the following fair value hierarchy:

Level 1 – Quoted prices (unadjusted) in active market for identical assets or liabilities. This level includes listed equity securities traded on the Zimbabwe Stock Exchange.
Level 2 – Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).
Level 3 – Inputs for the asset or liability that are not based on observable market data (unobservable inputs). This level includes equity investments and debt instruments with significant unobservable components. This level includes non-quoted equity investments.

The hierarchy requires the use of observable market data when available. The company considers relevant and observable market prices in its valuations where possible.

The table below summarises the various assets and liabilities measured at fair value and the level on the fair value hierarchy.

	Level 1 US$	Level 2 US$	Level 3 US$	Total US$
At fair value through profit or loss 2017	-	6 266	-	6 266
At fair value through profit or loss 2016	-	3 279	-	3 279
Unquoted equities 2017 (available for sale)	-	-	262 991	262 991
Unquoted equities 2016 (available for sale)	-	-	262 991	262 991

15. INVESTMENT IN UNQUOTED EQUITIES (AVAILABLE FOR SALE)

	31 Dec 2017 US$	31 Dec 2016 US$
Carrying amount at 01 January	262 991	262 991
Carrying amount at 31 December	**262 991**	**262 991**

The company holds 111 945 shares (13.24% interest) in Chengetedzai Depository Company (CDC), an unlisted company. The fair value of the investment has been estimated at $262 991 using the net asset value approach as at 31 December 2017.

NOTES TO THE
FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2017

16. FINANCIAL ASSETS

Financial Assets at fair value through profit or loss

Financial assets at fair value through profit or loss at year end is made up of Unit trusts.

Movement	31 Dec 2017 US$	31 Dec 2016 US$
Carrying amount at 1 January	3 279	18 024
Disposal of financial instruments	-	(14 102)
Fair value adjustments through profit or loss	2 987	(643)
Carrying amount at 31 December 2017	**6 266**	**3 279**

17. DEFERRED TAX ASSET

a) Analysis

Description	31 Dec 2017 US$	31 Dec 2016 US$
Property & equipment	2 069	-
Leave pay provision	10 040	-
Allowance for credit losses	5 495	-
Other provisions	45 719	-
Balance at the end of the year	**63 323**	**-**

b) Movement

Balance at the begining of the year	-	-
Credited to profit or loss (note 11)	63 323	-
Balance at the end of the year	**63 323**	**-**

In recognising the deferred tax assets, management considered the cashflows and financial performance of the Company for a period of 5 years. The Directors are confident that the deferred tax asset is recoverable in the foreseeable future.

For the year ended 31 December 2017

18. TRADE AND OTHER RECEIVABLES

Description	31 Dec 2017 US$	31 Dec 2016 US$
Listed companies fees	43 817	3 349
Members brokerage fees	149 938	53 368
Annual non membership fees	-	1 150
Annual membership fees	3 365	4 299
Trade receivables	**197 120**	**62 166**
Allowance for credit losses	(21 339)	(6 210)
Net trade receivables	175 781	55 956
Other receivables	66 428	54 901
	242 209	**110 857**

Trade and other receivables are non-interest bearing and are generally settled on 30 days and 60 days.

Analysis of the Net Trade Receivables
Below is an analysis of the ageing of trade receivables (net of allowance for credit losses):

Neither past due nor impaired	148 408	54 806
Past due but not impaired		
30 to 60 days	-	1 150
Over 90 days	27 373	-
	175 781	**55 956**

Description	31 Dec 2017 US$	31 Dec 2016 US$
Movement in the allowance for credit losses		
Balance at the beginning of the year	6 210	55 810
Impairment losses recognised on receivables	19 470	6 210
Amounts written off during the year	-	(41 176)
Amounts recovered during the year	(4 341)	(14 634)
Balance at end of the period	**21 339**	**6 210**

For the year ended 31 December 2017

19. CASH AND CASH EQUIVALENTS

Description	31 Dec 2017 US$	31 Dec 2016 US$
Cash and cash equivalents consist of:		
Cash at bank	11 560	5 492
Sinking Fund	136 286	10 664
Short-term deposits	1 063 498	401 189
Balance at the end of the year	**1 211 344**	**417 345**

Cash at bank earns interest at floating rates based on daily bank deposit rates. Short-term deposits are made for varying periods of between one day and two months, depending on the immediate cash requirements of the Company, and earn interest at the respective short-term deposit rates. The cash and cash equivalents held in the sinking fund of $136,286(31 Dec 2016:$10,664) relates to monthly contributions in respect of half yearly coupon instalment and capital contribution for two months November and December for the long term loan.

Collateral

The deposits held in the sinking fund are pledged as security in order to fulfil the collateral requirement specified in the loan agreement and the Company does not have any control over the use of the collateral.

20. SHARE CAPITAL AND PREMIUM

Description	31 Dec 2017 US$	31 Dec 2016 US$
Authorised share capital		
6 000 000 ordinary shares of $0.01 per share	60 000	60 000
Issued and fully paid share capital		
100 037 ordinary shares of $0.01 per share	1 000	1 000
Share premium	70 739	70 739
Balance at the end of the year	**71 739**	**71 739**

The total authorised number of ordinary shares is 6 million (2016: 6 million) with a par value of US$0.01 per share. The issued shares are 100 037 (2016:100 037) which are all fully paid up. Immediately on demutualisation the ZSE, Proprietary Rights were converted to ZSE shares. The unissued shares are under the control of Directors subject to the limitations imposed by the Companies Act (Chapter 24:03) and the Articles and Memorandum of Association of the Company.

For the year ended 31 December 2017

21. NON DISTRIBUTABLE RESERVES

Description	31 Dec 2017 US$	31 Dec 2016 US$
Non distributable reserves relates to		
Functional currency reserve	77 981	77 981

Functional currency conversion reserve

This arose as a result of change in functional currency from the Zimbabwe Dollar to the United States Dollar in 2009. It represents the residual equity in existence as at the date of the change over and has been designated as Non-distributable reserve.

22. BORROWINGS

22.1 Short-term borrowings

Current interest-bearing loans and borrowings	Interest rate	Maturity	31 Dec 2017 US$	31 Dec 2016 US$
$1,500,000 Investor Protection Fund loan	8% per annum	9 May 2018	17 145	17 145
			17 145	**17 145**

The short term borrowing relates to the coupon accrued at year end payable on 09 May 2018.

22.2 Long term Borrowings

Non-current interest-bearing Loans and borrowings	Interest rate	Maturity	31 Dec 2017 US$	31 Dec 2016 US$
$1,500,000 Investor Protection Fund loan	8% per annum	9 Nov 2019	1 500 000	1 500 000
			1 500 000	**1 500 000**

The long term borrowing of $1,500,000 is secured through the sinking fund pledged as security in order to fulfil the collateral requirement specified in the loan agreement.

NOTES TO THE

FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2017

23. TRADE AND OTHER PAYABLES

Description	31 Dec 2017 US$	31 Dec 2016 US$
Trade and other payables consist of:		
Trade and other payables	40 198	16 091
Statutory obligations	18 879	15 875
Balance at the end of the year	**59 077**	**31 966**

Trade and other payables are non-interest bearing and normally settled between 30 and 60 days.

24. PROVISIONS

Description	31 Dec 2017 US$	31 Dec 2016 US$
Balance at the beginning of the year	219 016	178 810
Arising during the year	192 589	63 855
Utilised	(58 961)	(23 649)
Balance at the end of the year	**352 644**	**219 016**

25. RELATED PARTY TRANSACTIONS

The following transactions were carried out with the related parties:

a) Directors' Emoluments

Non- Executive Directors Fees	31 Dec 2017 US$	31 Dec 2016 US$
Directors sitting allowances (including committees)	16 450	12 033

b) Key management personnel compensation

Key management personnel include the Chief Executive Officer, Operations Executive, Finance Director, Business Development Executive and Legal and Compliance Manager (Company Secretary).

The compensation paid or payable to key management personnel is shown below:

Description	31 Dec 2017 US$	31 Dec 2016 US$
Salaries and other short-term employee benefits	322 218	389 613
Other staff costs	177 552	-
Pension contributions	47 713	61 542
	547 483	**451 155**

The amounts disclosed above are the amounts recognised as an expense during the reporting period.

For the year ended 31 December 2017

26. COMMITMENTS AND CONTINGENCIES

26.1 Litigation claim contingency

The Company is subject to a lawsuit by a listed issuer in respect of a suspension claimed to have been unfair. A trial date has not yet been set. The Company has been advised by its legal counsel that the probability of success of the litigation is remote and accordingly no provision for any liability has been made in these financial statements.

26.2 Data Portal Agreement

The court case between the Company and the data portal service provider has not sufficiently progressed. The Company has been advised by legal counsel that the prospects of success for the company's application for dismissal of the claim are high.

26.3 Capital commitments

Description	31 Dec 2017 US$	31 Dec 2016 US$
Authorised and not contracted for	48 534	-

The capital expenditure is to be financed out of internal resources.

27. RETIRED BENEFIT PLANS

Pension funds are provided for employees to a separate fund to which the Company contributes.

Pension contributions
The fund is a defined contribution scheme independently administered and insured by ZB Life Assurance Limited.

National Social Security Scheme
The scheme was promulgated under the National Social Security Act (1989). The Company's obligation under the scheme is limited to specific contributions as legislated from time to time.

Description	31 Dec 2017 US$	31 Dec 2016 US$
Pension contributions	72 783	107 990
National Social Security Scheme	11 642	15 340
	84 425	123 330

28. EVENTS AFTER THE REPORTING DATE

There were no events that occurred between the end of the reporting period and the date when the financial statements were authorised for issue that required adjustments to be effected or the reported amounts.

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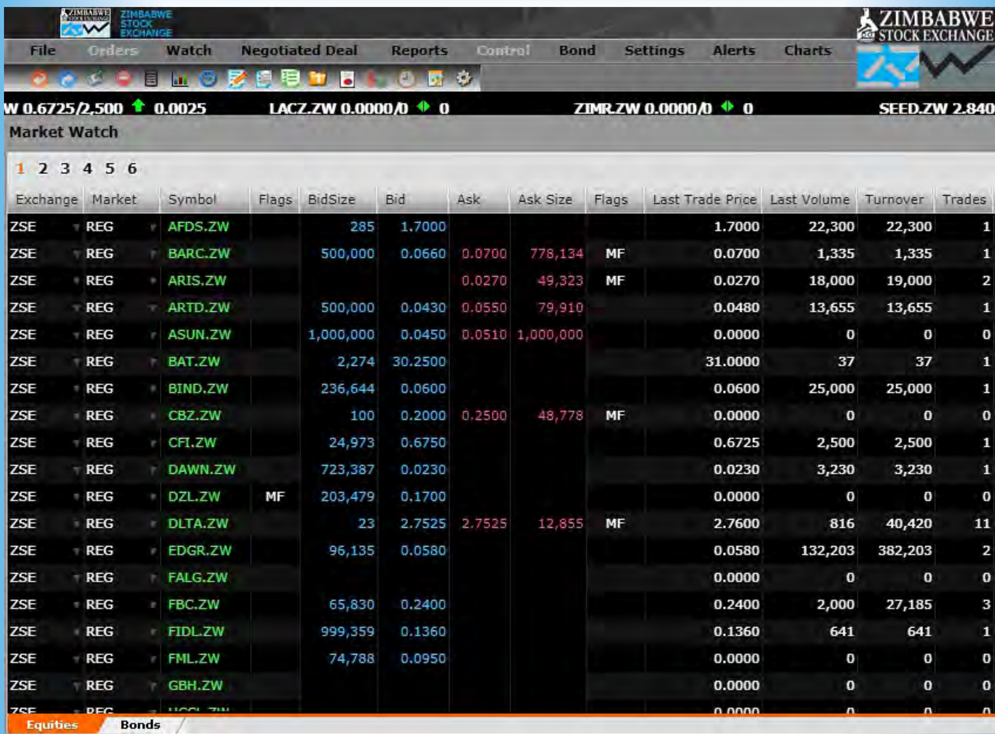

Exchange	Market	Symbol	Flags	BidSize	Bid	Ask	Ask Size	Flags	Last Trade Price	Last Volume	Turnover	Trades
ZSE	REG	AFDS.ZW		285	1.7000				1.7000	22,300	22,300	1
ZSE	REG	BARC.ZW		500,000	0.0660	0.0700	778,134	MF	0.0700	1,335	1,335	1
ZSE	REG	ARIS.ZW				0.0270	49,323	MF	0.0270	18,000	19,000	2
ZSE	REG	ARTD.ZW		500,000	0.0430	0.0550	79,910		0.0480	13,655	13,655	1
ZSE	REG	ASUN.ZW		1,000,000	0.0450	0.0510	1,000,000		0.0000	0	0	0
ZSE	REG	BAT.ZW		2,274	30.2500				31.0000	37	37	1
ZSE	REG	BIND.ZW		236,644	0.0600				0.0600	25,000	25,000	1
ZSE	REG	CBZ.ZW		100	0.2000	0.2500	48,778	MF	0.0000	0	0	0
ZSE	REG	CFI.ZW		24,973	0.6750				0.6725	2,500	2,500	1
ZSE	REG	DAWN.ZW		723,387	0.0230				0.0230	3,230	3,230	1
ZSE	REG	DZL.ZW	MF	203,479	0.1700				0.0000	0	0	0
ZSE	REG	DLTA.ZW		23	2.7525	2.7525	12,855	MF	2.7600	816	40,420	11
ZSE	REG	EDGR.ZW		96,135	0.0580				0.0580	132,203	382,203	2
ZSE	REG	FALG.ZW							0.0000	0	0	0
ZSE	REG	FBC.ZW		65,830	0.2400				0.2400	2,000	27,185	3
ZSE	REG	FIDL.ZW		999,359	0.1360				0.1360	641	641	1
ZSE	REG	FML.ZW		74,788	0.0950				0.0000	0	0	0
ZSE	REG	GBH.ZW							0.0000	0	0	0

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