ZIMBABWE STOCK EXCHANGE

2018 ANNUAL REPORT

Driving Financial Inclusion in Zimbabwe & Beyond

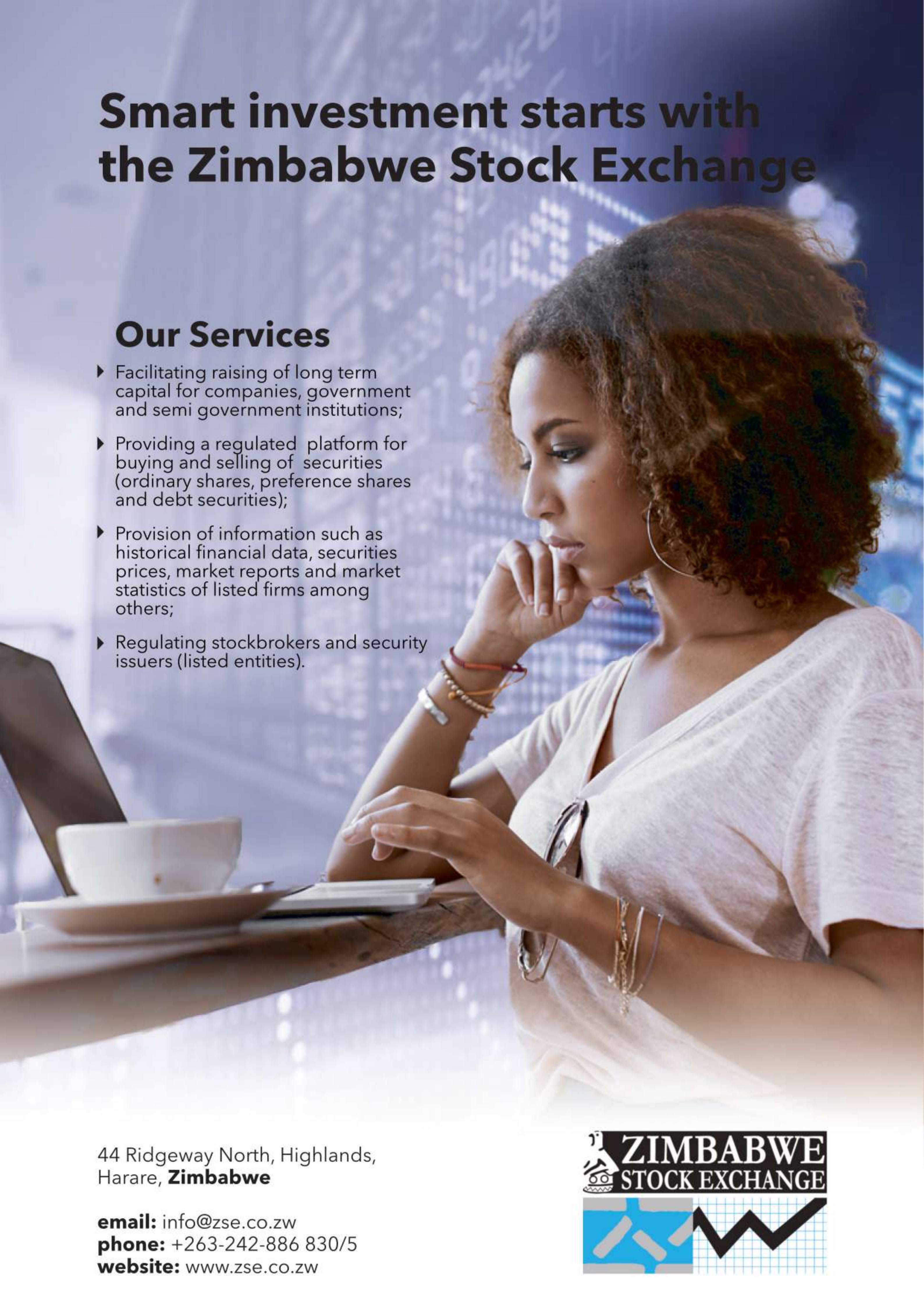

Smart investment starts with the Zimbabwe Stock Exchange
Our Services
Facilitating raising of long term capital for companies, government and semi government institutions;
Providing a regulated platform for buying and selling of securities (ordinary shares, preference shares and debt securities);
Provision of information such as historical financial data, securities prices, market reports and market statistics of listed firms among others;
Regulating stockbrokers and security issuers (listed entities).
44 Ridgeway North, Highlands, Harare, Zimbabwe
email: info@zse.co.zw
phone: +263-242-886 830/5
website: www.zse.co.zw
ZIMBABWE STOCK EXCHANGE

Table of Contents

Corporate **Information**

Board of Directors

Caroline Sandura	**Chairman**
Bartholomew Mswaka	Deputy Chairman
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
Justin Bgoni	Chief Executive Officer
Obert Ngwenya	Finance Director

Secretary
Lyndon Nkomo

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

Auditors
Grant Thornton
Chartered Accountants (Zimbabwe)
Camelsa Business Park
135 Enterprise Road
Highlands
Harare

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

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

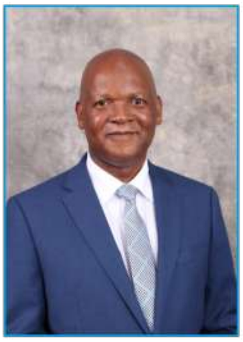
Principal Bankers

Stanbic Bank Zimbabwe Limited

ZSE
Board of Directors

Mrs Caroline Sandura
Board Chairman
Non-Executive Director

Mr Bartholomew Mswaka
Deputy Chairman
Non-Executive Director



Mr Justin Bgoni
Chief Executive Officer

Mr Obert Ngwenya
Finance Director

Mr Markus de Klerk
Non-Executive Director

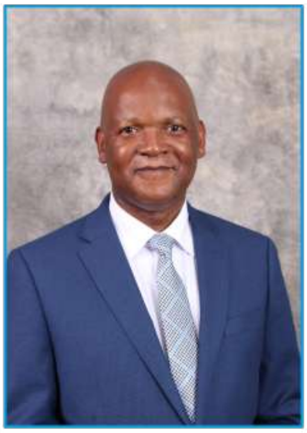
Mr Kholisani Moyo
Non-Executive Director

Mr Daniel Muchemwa
Non-Executive Director

Mr Benson Gasura
Non-Executive Director

Mrs Maureen Svova
Non-Executive Director

ZSE
Senior Management



Mr Justin Bgoni
Chief Executive Officer

Mr Obert Ngwenya
Finance Director

Miss Lina Mushanguri
Business Development Executive

Mr Martin Matanda
Operations Executive

Mr Lyndon Nkomo
Company Secretary/ Legal & Compliance Manager

Mr Anymore Taruvinga
Product Development Manager

Mr Ezekiel Mukanga
Infromation, Communication & Technology Manager

Mr Robert Mubaiwa
Trading & Surveillance Manager

About
The Zimbabwe Stock Exchange

Nature of Business

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.

VISION

To facilitate the economic development of Zimbabwe and the Southern African Development Committee (SADC) region.

MISSION STATEMENT

Be the best in providing long term capital and risk management solutions to businesses and Government whilst allowing the public to enjoy diversified, safe and easy investments.

VALUES

Committed - We are committed to realising our vision and mission.

Diligent - We are diligent in perfoming our tasks and duties.

Innovative - We innovate, in developing solutions to our challenges and opportunities.

ZSE Limited Background & **Transformational Journey**

The Zimbabwe Stock Exchange Limited ('ZSE') is a licensed securities exchange in terms of the Securities and Exchange Act (24:25) to provide for the listing and trading of securities. Its core mandate is to facilitate long term capital raising through listing of securities as well as offering secondary market securities trading and issuer regulation services. Securities are defined in the Securities and Exchange Act (Chapter 24:25) to mean shares, debt securities, depository receipts, futures and or contracts for differences.

Dating back to 1896, the ZSE has evolved to be one of the longest established capital raising platforms in Africa, surviving various macroeconomic and political phases over the years. The ZSE is a full member of the Committee of SADC Stock Exchanges as well as the African Securities Exchange Association. In 2015, the ZSE became the eighth exchange in Africa to join the United Nations Sustainable Stock Exchange Initiative and 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 semi 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).

The key focus for the ZSE is the implementation and execution of a strategic business plan that addresses long-term transformational growth in line with the changes in the environment the ZSE operates in. The ZSE has continued to make good progress in executing its transformational journey since 2009, through demutualization, automation and product diversification as follows:

2009
- Adoption of the USD as trading Currency

2010
- New ZSE Board set up taking over from Committee

2012
- Commencement of Demutualization

2015
- Automation of Trading
- Relocation to own property
- Issuance of ZSE Limited Shares
- Listing of Proplastics and Simbisa
- ZSE joins the UNSSE

2016
- Appointment of new Board
- Listing of Axia and GetBucks

2017
- ZSE Limited commences trading as a limited liability company
- First Listing of Debt Securities after 20 years

2017
- Market Data Services rollout (VOT)
- Gazetting of Debt Market Fees

2018
- Introduction of All Share and Top 10 Indices
- Extension of Trading hours
- C-Trade Rollout

2018
- Listing of Old Mutual Limited, SeedCo International and Cassava Smartech

ZSE
Stakeholder Engagement

Stakeholder	Nature of Engagement	Matters Covered
Shareholders	• AGM/EGM	• Sustainable growth from new revenue streams
Ministry of Finance and Economic Development	National budget input • Government Debt Securities • Market performance • State enterprises reform	• Removal of capital gains withholding tax on sale of securities • Listing and trading of Government securities • Growth in turnover and market capitalization • Listing of State enterprises on the ZSE
Ministry of Justice	• Legal drafting	• Review of listings requirements
Securities and Exchange Commission of Zimbabwe	• Securities and Exchange Act • Market performance • Financial inclusion • Investor education	• Amendments to the Act • Growth in turnover and market capitalization • Online trading • Investor education initiatives
Reserve Bank of Zimbabwe	• Government Debt Securities • Financial inclusion	• Listing and trading of Government securities • Participation in financial inclusion thematic working groups
Investors	• Due diligence • New products	• Market developments • Specialist securities listings requirements
Stockbrokers	• Trading • Financial inclusion	• Increased trading hours • Online trading
Issuers	• AGMs • Briefings • Corporate actions • Compliance	• Attendance • Attendance • Listings functions • Press statements and circulars
Insurance and Pensions Commission	• New products	• Specialist securities listings requirements
Depository company	• Trading and settlement • New products	• System efficiencies • Debt market and specialist securities
African Exchanges	• CoSSE • BAFM • ASEA • Bilateral	• Regional integration • Digital transformation • Facilitating affordable housing in SSA • Blockchain technology
Public Accountants and Auditors Board	• Financial reporting • Meetings	• Long form audit report • Integrated reporting
Zimbabwe Republic Police	• Public relations	• Crime awareness

ZSE **Old Mutual Secondary Listing**
26 June 2018

Ringing of the Bell Ceremony by former Minister of Finance and Economic Development, Honourable Patrick Chinamasa

Capital market players interact during the Old Mutual Limited listing dinner

Welcome remarks by ZSE Vice Chairman, Mr Bartholomew Mswaka

Launch of C-Trade
16 July 2018

Official opening by His Excellency Cde Emmerson D. Mnangagwa

Retired Justice Smith was one of the delegates that attended the C-Trade launch

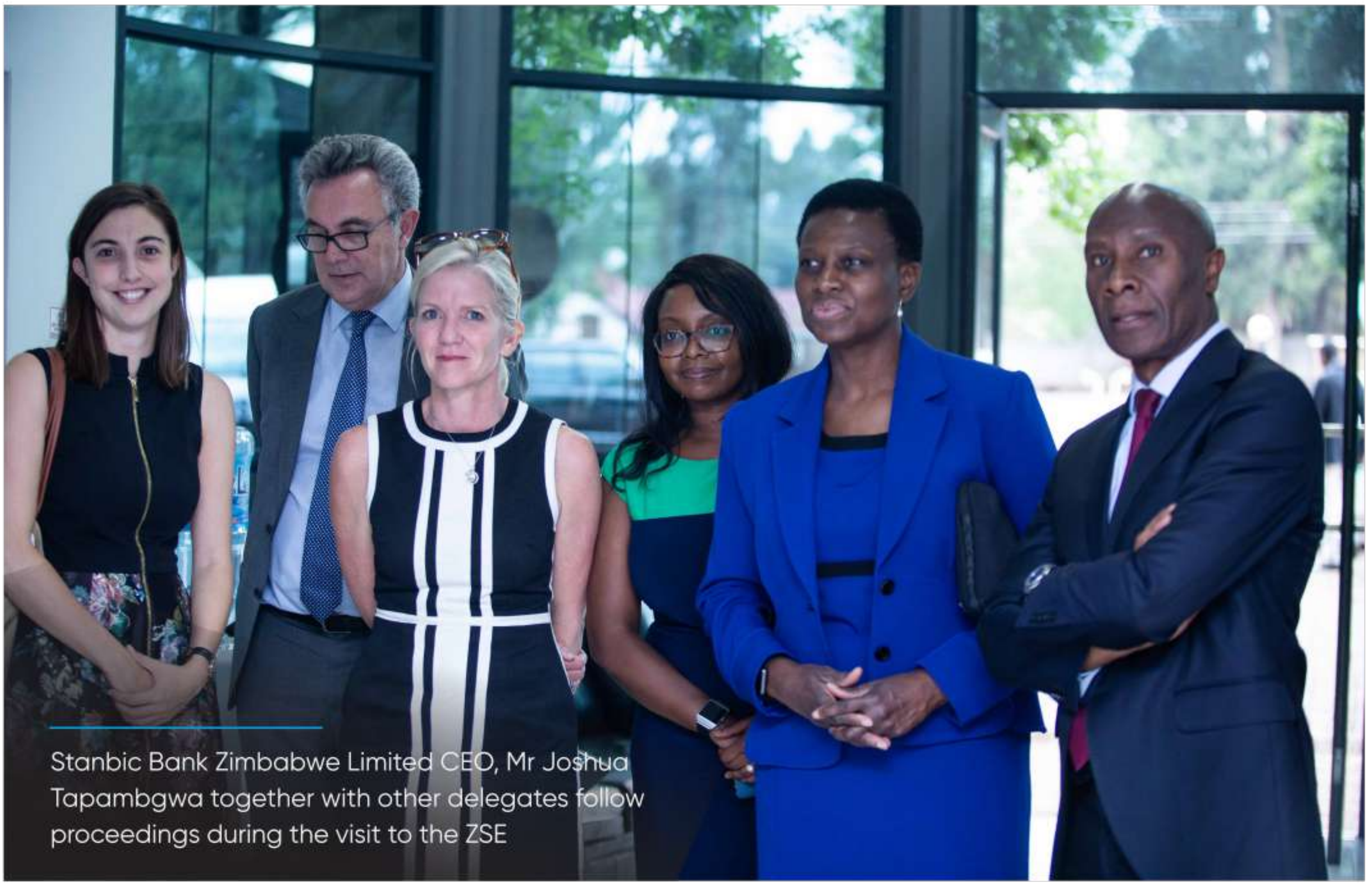
Barclays name change ceremony to
First Capital Bank Limited | 8 October 2018

ZSE Chairman Mrs Caroline Sandura & First Capital Bank MD Samuel Matsekete conducting the **Bell Ringing Session**

ZSE Board Chairman, Mrs Caroline Sandura welcomes officials

ZSE Senior Management follow proceedings

Private Investors for Africa (PIA) visit to the ZSE - 22 November 2018



Stanbic Bank Zimbabwe Limited CEO, Mr Joshua Tapambgwa together with other delegates follow proceedings during the visit to the ZSE

ZSE Operations Executive, Mr Matanda welcome delegates to the ZSE

Cassava Smartech Limited Listing
On the ZSE | 18 December 2018

Opening remarks by Reserve Bank of Zimbabwe
Deputy Governor Dr J. Chipika

Ringing of the Bell Ceremony by
Apostle Ezekiel Guti

Investor Education Sessions

ZRP High School 18 July 2018

Dreambig Academy 10 August 2018

First Class Academy 15 June 2018

Bindura University Of Science Education visit on 8 May 2018

NUST Investors Association - 25 October 2018

Speciss College 9 Sept 2018

Chairman's **Statement**

Mrs Caroline Sandura
Chairman

> During the year, the ZSE recorded a 32% topline growth in income to $2.93 million in 2018 from $2.22 million recorded during the financial year ended 31 December 2017.

Introduction

I am pleased to report on the ZSE's journey for the financial year ending 31 December 2018.

Broader Economic Overview

The global economic activity is estimated to have marginally declined to 3.0% in 2018 from global economic activity of 3.1% recorded in 2017. This was occasioned by geo-political economic tension between the United States of America and China. According to the World Bank, the global economic output is expected to grow by 2.9% in 2019.

The economic growth for Sub-Saharan Africa region for the year 31 December 2018 was estimated at 2.7% a marginal increase from economic growth of 2.6% recorded in 2017. Supported by firmer commodity prices the regional economic output is expected to grow by 3.4% in 2019. However, downside risks to the economic growth emanates from rising public debt and financial sector constraints hampered by low external buffers.

Macro-economic environment

According to the Reserve Bank of Zimbabwe (RBZ), the local economy Gross Domestic Product (GDP) for 2018 was 4.0% compared to GDP of 4.7% in 2017. It is also projected that the GDP for 2019 will grow by 3.1% and this lower growth is attributed to the contractionary impact of austerity measures and economic reforms.

On the Consumer Pricing Index front, the annual rate of inflation for December 2018 was 42.09%, a record high since dollarisation in 2009. The inflationary environment encouraged investors to seek hedging assets on the stock market which propelled the market turnover of US$926.31 million during the year ended 31 December 2018, a record high since dollarisation in 2009.

Functional Currency

The Company has in previous financial periods used the United States of America Dollar ("US$") as its functional and presentation currency. The fiscal and monetary policy pronouncements made in October 2018, led to a reassessment of the functional currency and a justification to conclude that, under IAS 21 the Effects of Foreign Exchange Rates, that there was a change in functional currency.

However, this could not be effected because, at law, there was no local currency in Zimbabwe until 22 February 2019. The inconsistency between the legal requirements and the International Financial Reporting Standards (ÏFRS") resulted in the Company's auditors expressing an adverse opinion on the Company's financial statements for the year ended 31 December 2018.

Financial Review

The Company recorded positive growth in key financial performance metrics, although there was pressure in operating costs following fiscal and monetary policy pronouncements in the fourth quarter of the year.

Statement of Profit or Loss

During the year, the ZSE recorded a 32% topline growth in income to $2.93 million in 2018 from $2.22 million recorded during the financial year ended 31 December 2017. The growth in income was on the back of increased trading activity particularly during the last quarter of the year as investors sought inflation hedging instruments.

The cost rationalisation strategies coupled with reversals of unutilised provisions resulted in reduction in total expenses of 8% from total expenses of $1.77 million incurred in 2017 to $1.63 million incurred during the year ended 31 December 2018. As a result operating profit, a critical measure of the Company's financial performance increased by 191% from $0.45 million in 2017 to $1.30 million during the year ended 31 December 2018.

Statement of Financial Performance

Total assets grew by 22% from $3.35 million at 31 December 2017 to $4.08 million as at 31 December 2018 following preservation strategies adopted during the year. Due to improved profitability and retention of earnings net asset value improved by 73% to $2.19 million compared to the prior year period of $1.267 million. A comprehensive review Company's financial performance, position and strategic focus are contained in the Chief Executive Officer's Report.

Directorate

The primary role of the Board is to bring an independent view, provide strategic leadership and oversight on the Company. The Company's Board also sets targets for management whilst ensuring that a robust governance structure is in place and is effective. There was no change to the Company Directorate during the financial year ended 31 December 2018.

Chairman's Statement (cnt.d)

Subsequent to year end, the Board appointed Mr Justin Bgoni as the Company's Chief Executive Officer effective 13 March 2019. Mr Bgoni an experienced professional with more than 19 years' experience has worked for amongst other Companies as the Chief Financial Officer for the New Zealand Stock Exchange. I take this opportunity to wish him well as he leads the management team in taking the Company to the next level of growth.

Dividend

The Board is cognisant of the importance of dividend to the owners of the Capital. The dividend policy of the Company factors this fact of growing shareholder returns, maintaining minimum regulatory capital requirements whilst preserving resources for expansion and other growth opportunities.

In line with our dividend policy, I am pleased to advise that from the profits of the financial year ending 31 December 2018, the Board on 17 April 2019 approved a dividend of ZWL$0.20 million; the first declaration of dividend by the Company.

Looking Ahead

We remain optimistic that the recent interventions pronounced by the Fiscal and Monetary authorities will yield the desired results and place our great country on sustained growth trajectory towards achieving middle income status by 2030. The ZSE looks forward to playing its role in facilitating the economic growth of the country and the region.

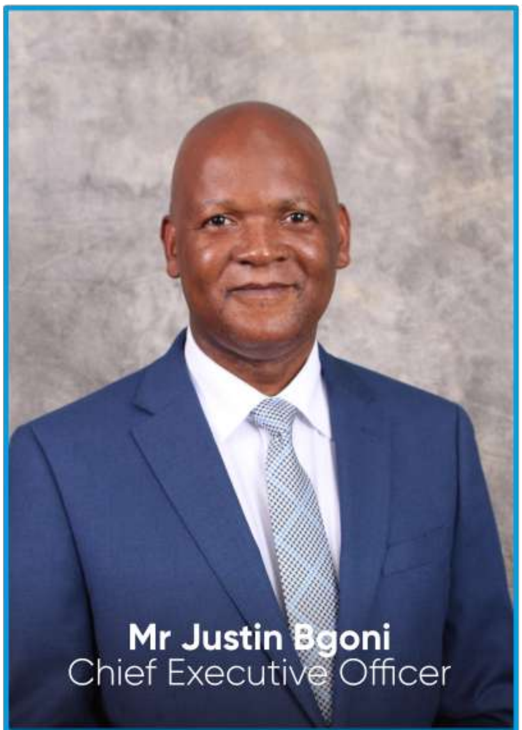
Appreciation

My sincere gratitude goes to our providers of capital, our regulators the Securities and Exchange Commission of Zimbabwe ("SECZ") and the Minister of Finance and Economic Development for their steadfast support and guidance during the year under review.

I am also grateful to the Board, suppliers, other regulators and stakeholders for their commitment and support. On behalf of the Board I would like to express my profound gratitude to our valued issuers, market participants, domestic and foreign investors for supporting the capital market during the year. Finally I would like to express my appreciation to management and staff for their commitment and that under the stewardship of the new Chief Executive Officer, Mr Bgoni will develop the ZSE to a world class exchange.

Mrs. C. Sandura
Board Chairman
17 April 2019

Chief Executive Officer's **Report**



"We are the best in providing long term capital and risk management solutions to businesses and Government whilst allowing the public to enjoy diversified, safe and easy investments.

1. General Commentary

It is my pleasure to introduce myself as the new Chief Executive Officer of the Zimbabwe Stock Exchange. I joined ZSE on the 13th of March 2019 after being away from Zimbabwe for 19 years.

To start, I would like to thank the Board of ZSE led by Mrs Caroline Sandura for giving me this opportunity to lead such a venerable and important institution in Zimbabwe. I would also like to thank Martin Matanda who was acting CEO for the last two years. Martin has been a wonderful steward and he leaves ZSE in a strong position.

When I joined ZSE I stated that I saw my mandate as threefold:

- Getting the fundamentals right. This included the core processes such as regulatory process as well as the supporting activities;
- Improving relationships within the organisation, the Board and the organisation, the organisation and the regulator Securities and Exchange Commission of Zimbabwe and the organisation and other stakeholders; and
- Growing the exchange not just in terms of new products, listings and investors but also expanding ZSE's reach and influence

The first port of call was to meet with the senior management to discuss and agree why we exist as an organisation, how we achieve this mission and what we do to achieve it.

Reason why we exist

ZSE exists to facilitate the economic development of Zimbabwe and the SADC region.

How we do it

We are the best in providing long term capital and risk management solutions to businesses and Government whilst allowing the public to enjoy diversified, safe and easy investments.

What we do

1. Provide rules and regulations;
2. Admit Companies and Participants;
3. Provide a Trading Platform;
4. Influence Policies;
5. Monitor and regulate Issuers and Participants;
6. Educate the public on investments and facilitate inclusion; and
7. Provision of information and data for decision making

We use the above to make choices on strategic direction and to choose between options.

It was also important to further foster a high-perfomance culture to make sure that we deliver on our mission. We identified the following values

- Committed;
- Diligent; and
- Innovative

These values will not only make part of the performance management of our people but will be used in selection of new people (recruits) joining the organisation.

One area that we have targeted for strengthening is the regulatory process. We are fortunate that this coincided with the gazetting of new rules. These rules allow us more tools for enforcement, enhance disclosures from listed companies and generally meet the best practices. We have also further resourced the area with additional staff and training.

An important relationship for us as an Exchange is with our regulator, the Securities and Exchange Commission of Zimbabwe. I would like to express my gratitude and appreciation for the way Mr Chinamo and his staff have welcomed me and have worked with ZSE.

I have also taken myself to go around and meet listed companies, brokers and Fund Managers. These stakeholders' candour and constructive feedback on what we have done well, what we could do better and their expectations for the future is very much appreciated. My aim is to have visited at least all the listed companies and brokers by the end of the year.

There is no doubt that there is tremendous appetite for new products and services. We have recently launched the Direct Market Access for Fund Managers so that Fund Managers can put their orders direct without manual intervention by a Broker. This is important for market transparency and liquidity.

We have an ambitious target of launching two products in 2019. The first product we have in mind is Exchange Traded Funds (ETFs). ETFs give retail clients access to sophisticated fund management at low cost, is liquid and is fairly priced. Our second product will be the Real Estate Investment Trusts (REITS). REITS give pension funds and retail clients exposure to real estate at lower cost and allows pension funds to monetise their property investments.

Long Term Strategy

To create a roadmap we have benchmarked ourselves against the Nairobi Stock Exchange. The table below shows ZSE against the Nairobi Securities Exchange(NSE).

Indicator	ZSE Now	NSE Now
Capital raised on our platform	US$50 million	• Equity IPOs - US$130m • Equity Rights/FOs - US$580m • Corporate Debt - US$580m • Treasury - US$14 billion
Market cap/GDP	30%	31% average
Turnover/market cap	• Equity - 5% • Bonds - 0%	• Equity - 8% • Combined - 29% (with bonds)
Average number of trades per day	100	1,000 average
Number of securities	• Equity - 63 • Corporate bonds - 2	• Equity - 65 • REIT - 1 • ETF - 1 • Corporate Bonds/Notes - 19 • Treasury Bonds/Notes - 21
Retail participation	Equity - 1%	• Equity - 49% • Corporate bonds - 4.5% • Individual investors - 1,173,747
Foreign participation	30%	67% average

It is clear that we have work to do in terms of debt listings especially government debt, depth of retail clients, liquidity and products offered.

In order to achieve our goals we need a qualified and motivated staff. I am proud of the team that I inherited. We have instituted performance management across the whole organisation to achieve the work cut out for us.

2. Market Performance

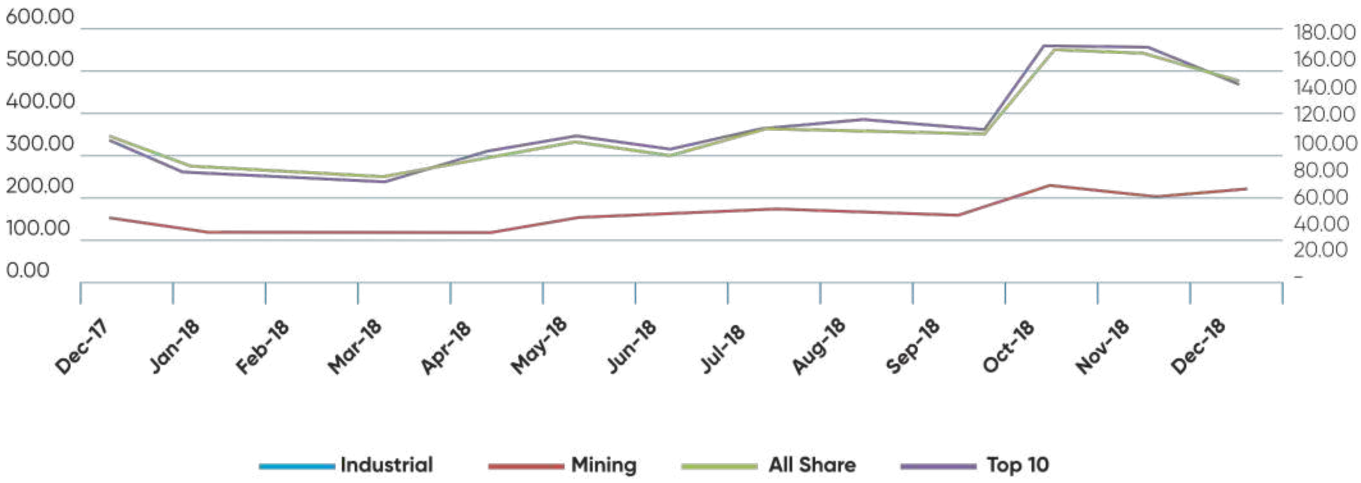
2.1 Equities Market

2.1.1 Indices

The equities market performance reflected the changes in the macroeconomic indicators such as inflation and money supply as well as the effect of monetary and fiscal policies from October 2018. In 2018 the ZSE introduced two new indices, the All Share and Top 10 indices. The All Share Index gained 46.2% to close the year at 146.24 points, ahead of the annual inflation figure of 42.09% in December 2018. The announcement of the separation of the RTGS balances from the Nostro FCA balances, through the Monetary Policy in October 2018, led to a 42.3% growth in the All Share Index in October 2018 alone, before the market calmed towards the end of the year. The Industrial and Top 10 Indices closely followed the All Share Index whilst the mining index gained 59.9% to close the year at 227.71 points.

Chief Executive Officer's **Report** *(cnt.d)*

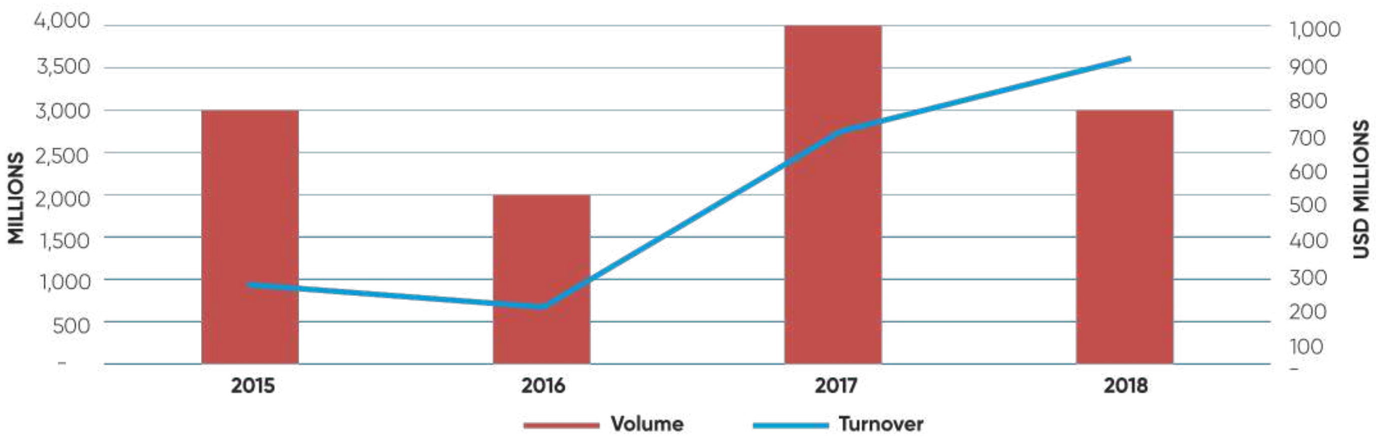
ZSE Indices



2.1.2 Turnover and Liquidity

Despite a 29% decrease in the volume of shares traded in 2018 to 2.52 billion, turnover increased 33% to USD926.31 million, the highest since dollarization in 2009. The growth in turnover was on account of the flight to safety as investors sought inflation hedging instruments.

Turnover & Volume



The table below shows liquidity at 7.65% in 2018, which is above the four year average from 2015 of 7.48%.

Year	2015	2016	2017	2018
Turnover/Average Market Cap	6.07%	6.47%	9.74%	7.65%
Shares traded/Shares Listed	5.36%	3.68%	8.42%	5.04%

The major contributors to the liquidity were the dually-listed duo of Old Mutual Limited and Pretoria Portland Cement which were popular with foreign investors. The top ten by liquidity ratio were as follows:

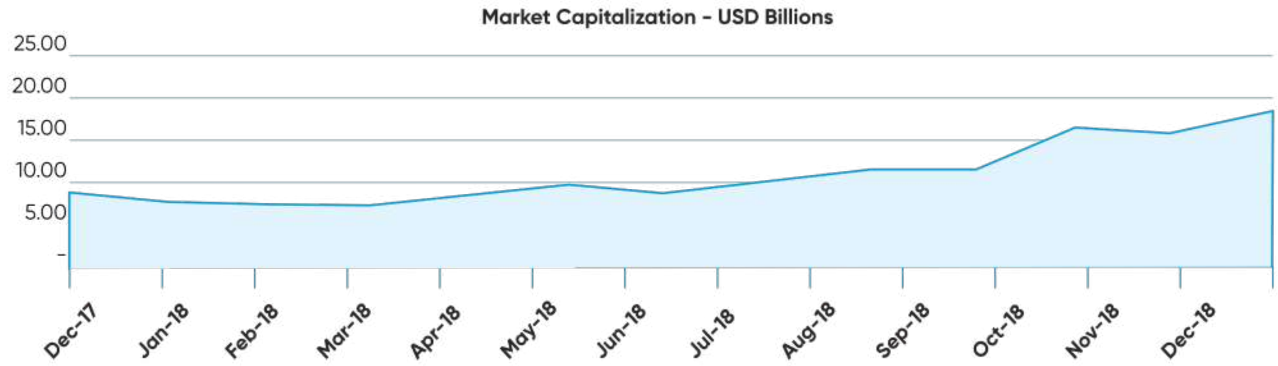
Rank	Company	Liquidity Ratio*	Turnover - USD	Volume	Number of Trades
1	Old Mutual Limited	32.2%	166,954,415.85	26,091,328	3,217
2	Pretoria Portland Cement Limited	26.7%	19,997,999.35	17,418,524	662
3	GetBucks Microfinance Bank Limited	23.6%	18,028,491.72	519,365,529	50
4	Dairibord Holdings Limited	21.3%	12,515,072.83	69,468,291	374
5	Masimba Holdings Limited	20.6%	3,632,718.82	59,442,080	182
6	African Distillers Limited	13.8%	24,623,876.22	15,506,031	102
7	Proplastics Limited	13.5%	6,440,302.11	74,064,749	118
8	First Mutual Properties Limited	11.6%	10,055,185.73	178,690,061	217
9	Seed Co Limited	10.3%	52,058,063.57	22,704,883	1,176
10	CBZ Holdings Limited	10.0%	10,678,823.75	74,858,625	598

Investor Contribution to Turnover

Over the past four years there is a marked decline in foreign investor contribution to turnover and a corresponding increase in local activity. The introduction of bond notes in 2016 seems to have coincided with the decrease in foreign investor participation, possibly on fears that the trading currency would not remain as USD.

Year	2015	2016	2017	2018
Local Investors	**44.2%**	**48.3%**	**70.0%**	**69.1%**
Foreign Investors	**55.8%**	**51.7%**	**30.0%**	**30.9%**

2.1.2 Market Capitalization



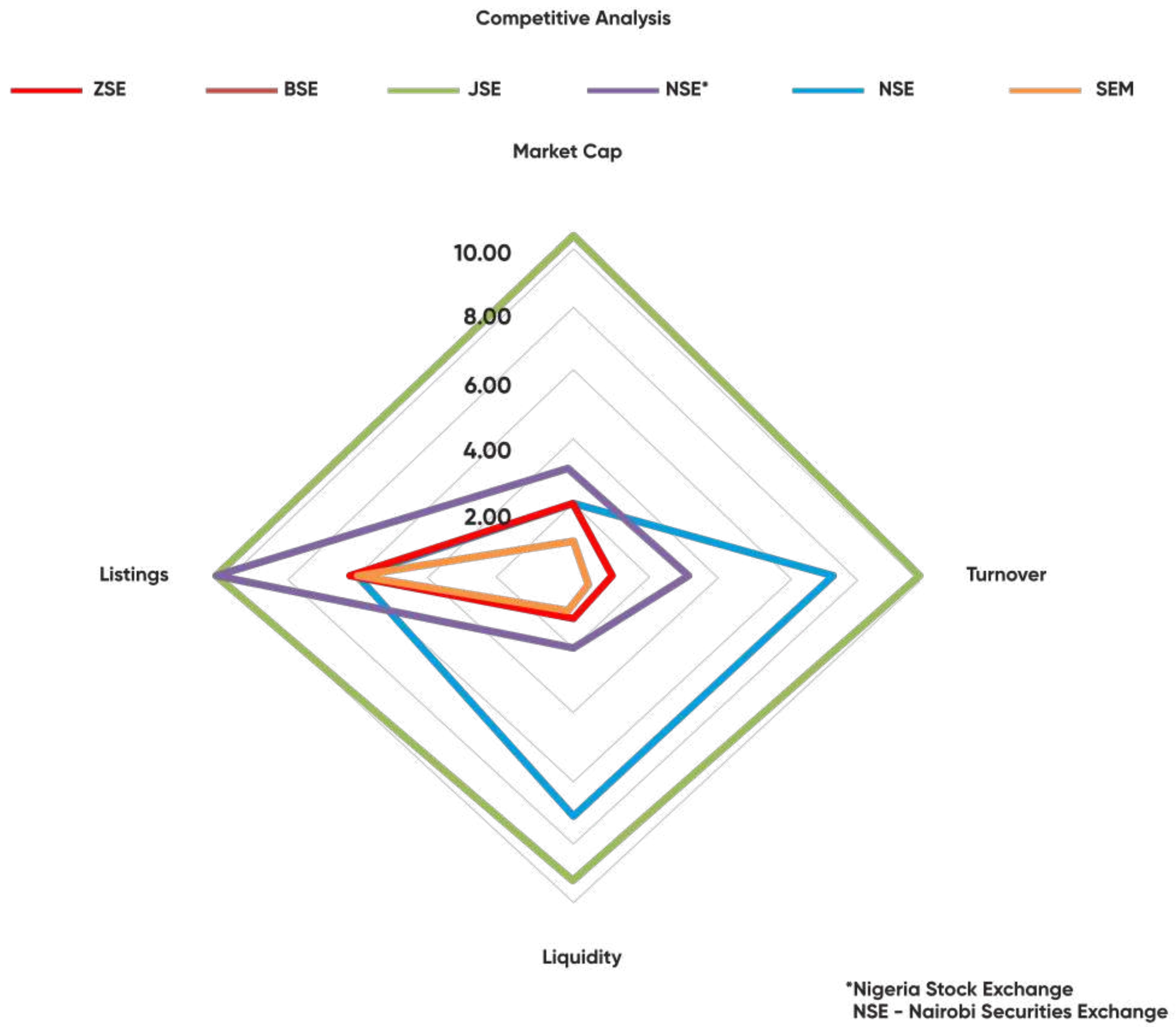
Reflecting the asset price inflation and the listing of new issuers during the year, the market capitalization increased by a massive 103% to settle at USD19.42 billion in December 2018 from USD9.58 billion in December 2017. The listing of Seed Co International and Cassava SmarTech Limited in 2018 added USD4.14 billion (21% of total) to the year end market capitalization, with Cassava Smartech Limited not having been the largest counter by market capitalisation on its debut but also having ended 2018 as the biggest issuer by market capitalization.

2.1 Debt Market Performance

There was no trading on the listed corporate debt securities as the issues remained tightly held and the lack of benchmark yield curves meant that valuation of the listed paper would be difficult. Rainbow Tourism Group Limited Linked Debentures were listed in March 2018, thereby bringing the total corporate debt securities listed to two (2). The debt market profile at the end of 2018 was as follows:

Issuer	Getbucks Microfinance Bank Limited	Rainbow Tourism Group
Security type	Medium term notes	Debentures
Face value	USD5,442,251	USD16,687,500
Coupon rate	11%	6%
Interest dates	7th of each month	21 February and 21 August
Maturity date	31 October 2019	21 February 2025

3. Comparison with other Exchange



In comparison with other exchanges, the ZSE is not far behind in terms of the number of equity listings but lags behind in terms of the liquidity. Whilst the ZSE has managed to retain a good number of equity issuers, it has not diversified into other securities like Government Bonds, Exchange Traded Products and Derivatives. The absence of the more innovative financial securities partly explains the low liquidity. The macroeconomic environment in the past few years has also been volatile thereby leading to withdrawal by foreign investors.

Our efforts as management over the next four years is to bring ZSE closer to its peers especially in terms of products.

4. Financial Review

The exchange recorded strong performance in 2018 despite a myriad of macro-economic challenges. The unfavourable macroeconomic factors led to an increase in trading levels attaining earnings growth of 259% from the preceding financial year ended 31 December 2017. Thus the Exchange posted one of the best set of results since the adoption of the multi-currency in February 2019. As the business is well capitalised the Board declared a dividend of $0.20 million from surplus cash generated from operations.

4.1 Financial Performance

Bullish sentiments permeated our equity markets as investors sought inflation hedging investment instruments. Total income for the year income ended 31 December 2018 at $2.93 million increased by 32% from $2.22 million generated in 2017. Despite the increase in trading activity the transactional activity levy of $1.85 million in 2018 as contribution percentage to total income remained constant at 63%, the same level as in 2017. However the contribution percentage of listing fees to total income marginally declined from 33% in 2017 to 30% contribution during the year ended 31 December 2018.

The Exchange continued with its cost control during the year. As a result, total expenses for the year ended 31 December 2018 at $1.63 million declined by 8% from $1.77 million incurred during ended 31 December 2017. Further reduction was from the reversal of unutilised provisions of $0.12 million. The reduction in headcount resulted in decline in staff costs of 31% from $0.90 million in 2017 to $0.62 million during the year ended 31 December 2018. Consequently the contribution percentage of staff costs to total costs declined from 51% in 2017 to 38% during the year ended 31 December 2017. Other significant operating expenses incurred during the year ended 31 December 2018 was the trading system annual software fees of $0.15 million. Capital expenses at $0.40 million was almost flat compared to the preceding period (2017: $0.39 million), this is attributed to the marginal annualised impact of debt module capitalisation of $0.06 million implemented during the year.

The overall reduction in operating costs coupled with increase in income resulted in the Exchange recording a profit before tax of $1.24 million during the year ended 31 December 2018 compared to $0.35 million recorded in 2017. The fair value measurement of the Company's investment in Chengetedzai Depository Company Limited generated other comprehensive income of $0.14 million. The total comprehensive income for the year ended 31 December of $0.92 million was an increase of 259% from $0.26 million recorded in 2017. Basic earnings per share increased by 203% from 250 cents in 2017 to 759 cents in 2018.

4.2 Robust financial position and cash flows

The Company's equity continued to grow at $2.19 million on 31 December 2018 exceeding the regulatory requirement of $1.00 million. The growth in equity is due to profits generated from operations. The total assets increased by 22% to $4.08 million. Correspondingly our return on equity improved from 20% attained in 2017 to 42% for the year ended 31 December 2018.

The Company continued to be highly cash generative with cash generated from operations being $1.03 million compared to $0.87 million in 2017. The cash generated from operations was invested in separate financial instruments through a fund manager as a way of preserving value in an inflationary environment. All planned capital expenditures for 2019 can be funded from internally generated cash resources. As our business is adequately capitalised to meet regulatory requirements, post year end on 17 April 2019, the Board declared a dividend in the amount of ZWL$0.20 million. This is the first dividend declaration by the Company since incorporation. We aim to maintain financial discipline and grow the nominal dividend and return value to the Shareholders.

Mr. J. Bgoni
Chief Executive Officer
17 April 2019

Corporate Governance **Report**

The Board of Directors of Zimbabwe Stock Exchange Limited (the Exchange) 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 Exchange. 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 Exchange.

ZSE LIMITED 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 ZSE Listing Requirements. The members of the Committee as at 31 December 2018 were:-

Mr. B. Mswaka (Chairman)
Mrs. M.R. Svova
Mr. M de Klerk
Mr. R. Ndamba
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 ZSE and assesses whether the financial statements of the ZSE 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 auditors.

The external auditors are invited to attend the Committee's meetings. The members of the Committee as at 31 December 2018 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 determine 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 2018 were:-

Mrs. C. Sandura (Chairman)
Mr. B. Mswaka
Mr. B. Gasura

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 ZSE's business development activities, annually review ZSE's business development performance to ensure that business development activities are aligned to the ZSE'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 2018 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 prescribe 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 2018 were:-

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

Senior Management Team (SMT)

The SMT is chaired by the Chief Executive Officer and consists of the heads of departments. The SMT meets on a weekly basis and its main duty is to assist the Chief Executive Officer in discharging his responsibility by ensuring that the ZSE's strategic objectives and annual business plans as approved by the Board are being implemented, controlled and monitored. The SMT is the operational management forum responsible for the delivery of the ZSE's operational plans. The SMT 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.

Risk Management **Report**

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 Exchange 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.

Operational risks are those risks of non-speculative nature with no potential of showing a profit. 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 Exchange's business.

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

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 Exchange. The Exchange'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 Exchange to concentrations of credit risk, consist principally of cash, and short-term trade. 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 Exchange 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 Exchange might be unable to meet its payment obligations when they fall due under both normal and stress circumstances. The Exchange has developed internal processes and contingency plans for managing liquidity risk. The Exchange 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 Exchange'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 Exchange 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 Exchange'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. The Exchange's interest rate sensitivity is disclosed in this annual report.

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. As a result of the software obligation the Company may be affected by signficant movement in exchange rates.

Capital Risk

The Exchange 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 ZSE continues as a going concern in order to provide returns to proprietary holders 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 ZSE is currently exposed to equity price risk and this is managed through determination of an exit strategy.


Secure investment is easy with the Zimbabwe Stock Exchange
Our Services
The ZSE facilitates the listing and trading of the following security types:
Ordinary shares;
Preference shares;
Fixed income instruments such as debentures, notes and bonds.

Statement of Directors' **Responsibilities**

Responsibilities of Management and Those Charged with Governance for the Financial Statements for the year ended 31 December 2018

Responsibility

The Directors are responsible for the preparation and fair presentation of the Company's annual financial statements, comprising the statement of financial position as at 31 December 2018, the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year ended and the notes to the financial statements which include a summary of significant accounting policies and other explanatory notes, in accordance with International Financial Reporting Standards (IFRSs) and the requirements of the Companies Act (Chapter 24:03). In addition, the Directors are responsible for preparing the Director's report.

The Directors are also responsible 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, and for maintaining adequate accounting records and an effective system of risk management.

The Directors have made an assessment of the ability of the Company to continue as a going concern and have no reason to believe that the business will not be a going concern in the year ahead.

The Independent Auditor is responsible for reporting on whether the financial statements prepared by the Board are fairly presented in accordance with the applicable Financial Reporting Framework.

Compliance with legislation

These financial statements have been prepared under the historical cost convention (except for fair value measurement where applicable), are in agreement with the underlying books and records, have been properly prepared in accordance with the Accounting Policies set out in Notes 2 and 3, and comply with the disclosure requirements of the Companies Act (Chapter 24:03).

Compliance with IFRS

The financial statements are prepared with the aim of complying fully 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).

While full compliance with IFRS has been possible in the previous periods; only partial compliance has been achieved for 2018 because it has not been possible to comply with International Accounting Standard 21 "The Effects of Changes in Foreign Exchange rates".

IFRS Conceptual Framework requires that in applying fair presentation of financial statements, entities should go beyond the consideration of the legal form of transactions and any other factors that could have an impact on them. IAS 21 requires an entity to apply certain parameters in determining the functional currency of an entity for use in the preparation of its financial statements. This standard also requires an entity to make certain judgments, where applicable, regarding appropriate exchange rates between currencies where exchangeability through a legal and market exchange mechanism is not achievable.

In the opinion of the directors, the requirement to comply with Statutory Instrument 33 (SI33) of 2019 created inconsistencies with IAS 21, as well as the principles embedded in the IFRS Conceptual Framework (see guidance issued by the Public Accountants and Auditors Board on 21 March 2019). This has resulted in the adoption of accounting treatment in the current year's financial statements, which is at variance from that which would have been applied if the Company had been able to fully comply with IFRS. **Note 26** seeks to provide users with more information given the context and the aforementioned guidance.

The Company's financial statements which are set out on pages 33 to 59 were, in accordance with their responsibilities, approved by the Board of Directors on 17 April 2019 and are signed on its behalf by:

Mrs. C. Sandura

Chairman

Mr. J. Bgoni

Chief Executive Officer

Mr. O. Ngwenya - Registered Public Accountant (PAAB No.03735)

Finance Director

INDEPENDENT AUDITOR'S REPORT

Grant Thornton
Camelsa Business Park
135 Enterprise Road, Highlands
PO Box CY 2619
Causeway, Harare
Zimbabwe

T +263 4 442511-13
F +263 4 442517/ 496985
E info@zw.gt.com
www.grantthornton.co.zw

Responsibilities of Management and Those Charged with Governance for the Financial Statements for the year ended 31 December 2018

Responsibility

The Directors are responsible for the preparation and fair presentation of the Company's annual financial statements, comprising the statement of financial position as at 31 December 2018, the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year ended and the notes to the financial statements which include a summary of significant accounting policies and other explanatory notes, in accordance with International Financial Reporting Standards (IFRSs) and the requirements of the Companies Act (Chapter 24:03). In addition, the Directors are responsible for preparing the Director's report.

The Directors are also responsible 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, and for maintaining adequate accounting records and an effective system of risk management.

The Directors have made an assessment of the ability of the Company to continue as a going concern and have no reason to believe that the business will not be a going concern in the year ahead.

The Independent Auditor is responsible for reporting on whether the financial statements prepared by the Board are fairly presented in accordance with the applicable Financial Reporting Framework.

Compliance with legislation

These financial statements have been prepared under the historical cost convention (except for fair value measurement where applicable), are in agreement with the underlying books and records, have been properly prepared in accordance with the Accounting Policies set out in Notes 2 and 3, and comply with the disclosure requirements of the Companies Act (Chapter 24:03).

Compliance with IFRS

The financial statements are prepared with the aim of complying fully 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).

While full compliance with IFRS has been possible in the previous periods; only partial compliance has been achieved for 2018 because it has not been possible to comply with International Accounting Standard 21 "The Effects of Changes in Foreign Exchange rates".

IFRS Conceptual Framework requires that in applying fair presentation of financial statements, entities should go beyond the consideration of the legal form of transactions and any other factors that could have an impact on them. IAS 21 requires an entity to apply certain parameters in determining the functional currency of an entity for use in the preparation of its financial statements. This standard also requires an entity to make certain judgments, where applicable, regarding appropriate exchange rates between currencies where exchangeability through a legal and market exchange mechanism is not achievable.

In the opinion of the directors, the requirement to comply with Statutory Instrument 33 (SI33) of 2019 created inconsistencies with IAS 21, as well as the principles embedded in the IFRS Conceptual Framework (see guidance issued by the Public Accountants and Auditors Board on 21 March 2019). This has resulted in the adoption of accounting treatment in the current year's financial statements, which is at variance from that which would have been applied if the Company had been able to fully comply with IFRS. **Note 26** seeks to provide users with more information given the context and the aforementioned guidance.

The Company's financial statements which are set out on pages 33 to 59 were, in accordance with their responsibilities, approved by the Board of Directors on 17 April 2019 and are signed on its behalf by:

Key Audit Matter	How our audit addressed the Key Audit Matter
Audit transition and audit of opening balances • Initial audit engagements involve a number of considerations not associated with recurring audits. • We identified the audit transition, including the audit of opening balances and the consistent application of significant accounting policies as a key audit matter. • This involves additional planning activities and considerations necessary to establish an appropriate audit plan and strategy.	• In order to comply with our professional standards to obtain sufficient and appropriate audit evidence about the opening balances and comparative numbers, we reviewed the predecessor auditor working papers. • Obtained an understanding of Zimbabwe Stock Exchange Limited control environment and information systems, sufficient to make an audit assessment and develop the audit strategy and plan. • In the course of the performance of our procedures, we were provided with sufficient information to provide a basis for our audit strategy and detailed audit plan. • We found that the opening balances as at 1 January 2018 were supported by sufficient and appropriate audit evidence, including evidence with respect to appropriate selection and application of accounting principles
Revenue and receivables **IFRS 15 Revenue from Contracts with Customers** • There is a presumed risk of inappropriate revenue recognition specifically identified in ISA 240 (R), the auditors responsibility to consider fraud in the audit of financial statements This is a significant risk and accordingly a key audit matter.	• Reviewed that revenue recognition criteria is appropriate and in line with the requirements of IFRS 15. • Performed cut-off tests on year end balances to ensure revenue is recognised in the correct period. • Our audit procedures included testing of design, existence and operating effectiveness of internal controls implemented as well as test of details to ensure accurate processing of revenue transactions. • We identified key controls and tested these controls to obtain satisfaction that they were operating effectively for the year under review. • The results of our controls testing have been the basis for the nature and scoping of the additional test of details, which mainly consisted of testing individual transactions by reconciling them to external sources (supporting documentation). • Furthermore, we performed analytical procedures and assessed the reasonableness of explanations provided by management. • We satisfied ourselves that the Company revenue is adequate and appropriate.
IFRS 9 Expected credit risk allowance This was considered a key audit matter as IFRS 9 is a new and complex accounting standard which requires significant judgement to determine the impairment reserve. Key areas of judgement included: • The interpretation of the requirements to determine impairment under application of IFRS 9, which is reflected in the Company expected credit loss model; • The identification of exposures with a significant deterioration in credit quality; • Assumptions used in the expected credit loss model such as the financial condition of the counterparty, expected future cash flows and forward looking macroeconomic factors (e.g. exchange rates, interest rates, gross domestic product growth, inflation). • The need to apply additional overlays to reflect current or future external factors that are not appropriately captured by the expected credit loss model.	Our audit procedures in assessing management allowance for credit losses included the following: • We performed an assessment of the modeling techniques and methodology used against the requirements of IFRS 9; • We assessed and tested the material modeling assumptions with a focus on the: i. Key modeling assumptions adopted by the Company; ii. Basis for and data used to determine debtor categories; and iii. Reliability of the historical data collected. • We examined a sample of exposures and performed procedures to evaluate the: • i. Timely identification of exposures with a significant deterioration in credit quality. ii. Expected loss calculation for exposures assessed on an individual basis. • We assessed the accuracy of the disclosures in the financial statements. Based on our audit work performed and the assumptions used by management the rates calculated were appropriate and reflected the current environment.
Valuation of unquoted financial assets held at fair value • The valuation of the Company unquoted financial assets held at fair value was a key area of audit focus due to the significance of the amount and complexity involved in the valuation process	• We assessed the design and operating effectiveness of the Company key controls supporting the identification, measurement and oversight of valuation risk of financial assets.

Key Audit Matter	How our audit addressed the Key Audit Matter
• Management makes significant judgements because of the complexity of the techniques and assumptions used in valuing some of the level 3 investment securities given the limited external evidence and unobservable market data available to support the Company valuations. The valuation of the level 3 investment securities are dependent on market conditions and key assumptions made. The determination of these assumptions is complex and requires the exercise of management judgement.	• For the more judgemental valuations, which depend on unobservable inputs, we evaluated the assumptions, methodologies and models used by the Company.

Other information

The Directors are responsible for the other information. The other information comprises the Directors' Report, Chairman's Statement and Company Secretary's Certificate, as required by the Companies Act (Chapter 24:03), which we obtained prior to the date of this auditors' report. The other information does not include the financial statements and our auditor's report thereon.

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

In connection with our audit of the 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 that we 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.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards (IFRSs), and for such internal control as management determines 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, management is 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 management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our responsibility is to express an opinion on the financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the annual financial statements. The procedures selected depend on our judgement, including the assessment of the risks of material misstatement of the annual financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the annual financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the annual financial statements.

Independent Auditor's Report (cnt.d)

Report on other legal and regulatory requirements

In our opinion, except for the effects of the matters described in the Basis for Adverse Opinion, the financial statements have been properly prepared in compliance with the requirements of the Companies Act (Chapter 24:03) and the relevant Statutory Instruments SI 33/2019 and SI 62/96.

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

Grant Thornton

Farai Chibisa
Partner

Registered Public Auditor (PAAB No: 0547)

Grant Thornton
Chartered Accountants (Zimbabwe)
Registered Public Auditors

26 April 2019

HARARE

Statement of Financial Position

As at 31 December 2018

	Notes	2018 USD	2017 USD
ASSETS			
Non-current assets			
Property and equipment	4	854 765	1 021 125
Intangible assets	5	365 480	545 242
Unquoted investments	6	405 289	262 991
Deferred tax asset	7	-	63 323
		1 625 534	1 892 681
Current assets			
Financial assets at fair value through profit or loss	8	1 224 302	6 266
Trade and other receivables	9	288 018	242 209
Held to maturity investments	10	814 283	301 983
Cash and cash equivalents	11	126 631	909 361
		2 453 234	1 459 819
Total assets		4 078 768	3 352 500
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	12	1 000	1 000
Share premium	12	70 739	70 739
Non-distributable reserve	13	77 981	77 981
Retained earnings		2 039 215	1 117 742
Total equity		2 188 935	1 267 462
Non-current liabilities			
Deferred tax liability	7	54 880	-
Long term borrowings	14.1	-	1 500 000
		54 880	1 500 000
Current liabilities			
Trade and other payables	15	275 229	411 721
Short term borrowings	14.1	1 500 000	-
Current portion of long term loans	14.2	17 145	17 145
Income tax payable	20	42 579	156 172
		1 834 953	585 038
Total liabilities		1 889 833	2 085 038
Total equity and liabilities		4 078 768	3 352 500

Mrs. C. Sandura
Chairperson

Mr. J. Bgoni
Chief Executive Officer

Statement of
Profit/Loss & other comprehensive income

For the year ended 31 December 2018

	Notes	2018 USD	2017 USD
INCOME			
Revenue	**16**	2 897 039	2 209 900
Fair value gain on financial instruments	**8**	18 036	2 987
Other income	**17**	10 134	3 065
Total income		2 925 209	2 215 952
EXPENDITURE			
Staff costs	**18.1**	617 891	901 116
Other operating expenses	**18.2**	613 165	482 892
Depreciation and amortisation	**18.3**	397 306	385 593
Total expenses		1 628 362	1 769 601
Operating profit		1 296 847	446 351
Finance income	**19.1**	67 564	23 348
Finance costs	**19.2**	(120 000)	(120 000)
Profit before tax		1 244 411	349 699
Income tax expense	**20**	(465 236)	(92 849)
Profit for the year		779 175	256 850
Other comprehensive income	**6**	142 298	-
Total comprehensive income for the year		921 473	256 850

Statement of
Changes in equity
For the year ended 31 December 2018

	Share capital USD	Share Premium USD	Non-Distributable Reserve USD	Retained Earnings USD	Total USD
Balance at 01 January 2017	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
Total comprehensive income for the year	-	-	-	921 473	921 473
Balance at 31 December 2018	1 000	70 739	77 981	2 039 215	2 188 935

Statement of
Cash flows

For the year ended 31 December 2018

	Notes	2018 USD	2017 USD
CASH FLOWS FROM OPERATING ACTIVITIES			
Operating profit		1 296 847	446 351
Adjustments for:			
Depreciation and amortisation	**18.3**	397 306	385 593
(Profit)/ loss on disposal of property, plant and equipment		(2 326)	14 469
Fair value gain on financial instruments	**8**	(18 036)	(2 987)
Allowance for credit losses	**18.2**	43 428	15 129
Operating profit before working capital changes		1 717 219	858 555
Changes in working capital			
Increase in trade and other receivables		(89 237)	(146 477)
(Decrease)/increase in trade and other payables		(136 492)	160 739
Income taxes paid	**20**	(460 626)	-
Net cash flows generated from operating activities		1 030 864	872 817
CASH FLOWS FROM INVESTING ACTIVITIES			
Additions to property and equipment	**4**	(17 301)	(24 545)
Purchase of intangible assets	**5**	(61 761)	-
Proceeds from disposal of financial instruments		300 000	-
Proceeds from disposal of property and equipment		30 204	42 379
Purchase of financial instruments		(2 001 700)	(300 000)
Interest income received		56 963	21 365
Net cash flows utilised in investing activities		(1 693 595)	(260 801)
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of loans		-	-
Finance costs paid	**19.2**	(120 000)	(120 000)
Net cash flows utilised in financing activities		(120 000)	(120 000)
Net (decrease)/increase in cash and cash equivalents		(782 731)	492 016
Cash and cash equivalents at beginning of the year		909 361	417 345
Cash and cash equivalents at end of year		126 631	909 361

Statement of Accounting policies

For the year ended 31 December 2018

1. General information

1.1 Nature of business and incorporation

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 Companies Act (Chapter 24:03) provides the governance framework, capital structure and financial reporting requirements and obligations.

1.2. Currency

These financial statements are presented in United States Dollars **(USD)** being the functional and reporting currency of the primary economic environment in which the Company operates. Please refer to the use of estimates and judgements paragraph below which details the considerations made in determining the Company's functional currency.

Use of estimates and judgements - Determination of the functional currency

The shortage of cash and funded Nostro bank accounts saw the emergence of different prices for goods and services settled via Real time Gross Settlement System (RTGS), Point of sale (POS) and mobile money. As a result of this and other factors, management had to make an assessment as to whether the use of the USD as the Company's functional currency is still appropriate. The different modes of settlement does not result in change in functional currency. Management concluded that the USD is still the functional currency.

2. Significant accounting policies

2.1 Basis of preparation

(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 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.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.

IFRS 15 'Revenue from Contracts with Customers'

IFRS 15 'Revenue from Contracts with Cusromers' and the related 'Clarifications to IFRS 15 Revenue from Contracts with Customers' (hereinafter referred to as 'IFRS 15') replaces IAS 18 'Revenue', IAS 11 'Construction Contracts', and several revenue related interpretations.

1. General information

1.1 Nature of business and incorporation

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 Companies Act (Chapter 24:03) provides the governance framework, capital structure and financial reporting requirements and obligations.

1.2. Currency

These financial statements are presented in United States Dollars **(USD)** being the functional and reporting currency of the primary economic environment in which the Company operates. Please refer to the use of estimates and judgements paragraph below which details the considerations made in determining the Company's functional currency.

Use of estimates and judgements - Determination of the functional currency

The shortage of cash and funded Nostro bank accounts saw the emergence of different prices for goods and services settled via Real time Gross Settlement System (RTGS), Point of sale (POS) and mobile money. As a result of this and other factors, management had to make an assessment as to whether the use of the USD as the Company's functional currency is still appropriate. The different modes of settlement does not result in change in functional currency. Management concluded that the USD is still the functional currency.

2. Significant accounting policies

2.1 Basis of preparation

(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 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.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.

IFRS 15 'Revenue from Contracts with Customers'

IFRS 15 'Revenue from Contracts with Cusromers' and the related 'Clarifications to IFRS 15 Revenue from Contracts with Customers' (hereinafter referred to as 'IFRS 15') replaces IAS 18 'Revenue', IAS 11 'Construction Contracts', and several revenue related interpretations.

2. Significant accounting policies (continued)

2.2 Changes in accounting policies (continued)

a) New Standards adopted as at 01 January 2018 (continued)

IFRS 15 (continued)

The core principle of IFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the standard introduces a 5-step approach to revenue recognition:

Step 1: Identify the contract (s) with the customer;
Step 2: Identify the performance obligations in the contract;
Step 3: Determine the transaction price;
Step 4: Allocate the transaction price to the performance obligations in the contract; and
Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation.

Under IFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, that is when 'control' of the goods or service underlying the control of the goods or service underlying the performance obligation is transferred to the customer.

The company recognises revenue comprising of listing fees, trading levies, transaction fees. Revenue from fees and levies earned is recognised as related services are performed. Any upfront fees or payment for services that are rendered over a period of time are treated as unearned income and recognised over the required period. These are warehoused in deferred income account.

Apart from providing more extensive disclosures on the Company's revenue transactions, the adoption and application of the new IFRS will not have a significant impact on the financial position and or financial performance of the Company.

IFRS 9 'Financial Instruments'

IFRS 9 replaces IAS 39 'Financial Instruments: Recognition and Measurement'. It makes major changes to the previous guidance on the classification and measurement of financial assets and introduces an 'expected credit loss' model for the impairment of financial assets.

When adopting IFRS 9, the company has applied transitional relief and opted not to restate prior periods. Differences arising from the adoption of IFRS 9 in relation to classification, measurement, and impairment are recognised in retained earnings.

The adoption of IFRS 9 has impacted the following areas:

- Investment in unquoted equities (Chengetedzai Depository Company) previously classified as available-for-sale (AFS) investment under IAS 39 are now measured at fair value. In IAS 39 this was previously carried at cost less impairment. This treatment is no longer permitted under IFRS 9, and accordingly the investment has been restated at 01 January 2018 to fair value.

- The impairment of financial assets applying the expected credit loss model. The application of the expected loss model for IFRS 9 resulted in earlier recognition of credit losses and increase in the amount of loss allowance recognised.

- There have been no changes to the classification or measurement of financial liabilities as a result of the application of IFRS 9.

2. Significant accounting policies (continued)

2.2 Changes in accounting policies (continued)

b) New standards, interpretations and amendments not yet effective

At the date of authorisation of these financial statements, several new, but not yet effective, Standards, amendments to existing Standards, and interpretations have been published by IASB. None of these Standards, amendments or interpretations have been adopted early by the Company.

Management anticipates that all relevant pronouncements will be adopted for the first period beginning on or after the effective date of the pronouncement.

IFRS 16 'Leases'

IFRS 16 will replace IAS 17 'Leases' and three related interpretations. IFRS 16 is effective from periods beginning on or after 1 January 2019. Early adoption is permitted however, the Company currently is not involved in any lease arrangement.

2.3 Property and equipment

Recognition and measurement

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 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 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.

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 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.

2. Significant accounting policies (continued)

2.4 Intangible assets
Intangible asset represent ATS software license which is stated at cost less amortisation. Amortisation is calculated to write-off software 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.

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.

Derecognition
Intangible assets are derecognised on disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the year the asset is derecognised.

2.5 Provisions
Provisions are recognised in the statement of financial position when the company has a present legal or constructive obligation as a result of past events, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. The unwinding of the discount is recognised as a finance cost.

2.6 Prepayments
Prepayments are stated at cost less amortised amounts. Prepayments are amortised to income by the straight-line method or according to performance of the underlying transaction.

2.7 Employee benefits
Employee benefits are all forms of consideration given by the company in exchange for services rendered by employees.

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 plan 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

2.8 Income tax
Income tax recognised in profit or loss for the year comprises current and deferred tax. Income tax is recognised in profit or loss except to the extent that it relates to items recognised directly to equity or other comprehensive income, in which case it is recognised in equity or other comprehensive income.
Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities are recognised for all temporary differences between carrying amounts of assets

2. Significant accounting policies (continued)

2.8 Income tax (continued)

and liabilities for financial reporting purposes and those for taxation purposes, unless the deferred tax liability arises from:

- Taxable temporary differences arising on initial recognition of Goodwill; or
- Temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit nor loss.

Deferred tax assets are recognised for all deductible temporary differences and unused tax losses to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilised.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to affect current tax liabilities and assets, and they relate to income taxes levied by the same tax authority.

Deferred tax is calculated based on the tax rates that are expected to apply to the temporary difference when the asset or liability is settled. The effect on deferred tax of any changes in tax rates is charged to profit or loss, except to the extent that it relates to items previously charged or credited directly to equity or other comprehensive income.

2.9 Revenue

Revenue excludes Value Added Tax and represents the fair value of consideration receivable for goods and services. Revenue is recognised when the risks and rewards of ownership have been transferred to the client, recovery of consideration is probable and the amount is reliably measurable.

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.
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.

Other income
Other income is recognised on the date when all risks and rewards associated with the transaction have been transferred to the buyer.

2. Significant accounting policies (continued)

2.10 Financial instruments

The Company classifies non-derivative financial assets into the following categories:

- Financial asset held to maturity;
- Financial asset held for trading;
- Available for sale financial assets; and
- Loans and receivables.

(i) Recognition and initial measurement

The Company initially recognises its financial assets and liabilities on the trade date, which is the date on which the Company becomes party to the contractual provisions of the instrument. A financial asset or financial liability is measured at fair value plus, for an item not at fair value through profit or loss, transactions costs that are directly attributable to its acquisition or issue.

(ii) Subsequent measurement
Subsequent to initial measurement, financial instruments are measured either at fair value or amortised cost, depending on their classification.

(a) Fair value measurement
Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, inits absence, the most advantageous market to which the Company has access at the date. A number of the company's accounting policies and disclosures require the measurement of fair values, for both financial and non financial assets and liabilities.

When available, the Company measures the fair value of an instrument using the quoted price in an active market for that instrument. A market is regarded as active if tranactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis. If there is no quoted price in an active market, then the Company uses valuation techniques that maximize the use of relevant observable inputs and minimize the use of unobservable inputs. The chosen valuation technique incorporates all the factors that market participants would take into account in pricing a transaction.

If an asset or liability measured at fair value has a bid price or an ask price, then the Company measures assets at a bid price and liabilities at an ask price.

(b) Amorised cost measurement
The amortised cost of a financial asset or liability is the amount at which the financial asset or liability is measured at on initial recognition, minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any diffeence between the initial amount recognised and the maturity amount, minus any reduction for impairment.
Effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating the interest income or interest expense over the relevant period.

2. Significant accounting policies (continued)

2.10 Financial instruments (continued)

c) Available-for-sale investments
Available-for-sale investments are non-derivative investments that are designated by the Company as available-for-sale or are not classified as another category of financial assets, or strategic capital investments held for an indefinite period of time, which may be sold in response to needs for liquidity or changes in interest rates, exchange rates or equity prices. All available-for-sale investments, including unquoted equity securities are carried at fair value.

Interest is recognised in profit or loss using the effective interest method. Dividend income is recognised in profit or loss when the Company becomes entitled to the dividend.

Other fair value changes are recognised in other comprehensive income until the investment is sold or impaired, whereupon the cumulative gains and losses previously recognised in other comprehensive income are reclassified to profit or loss as a reclassification adjustment.
A non-derivative financial asset may be reclassified from the available-for-sale category to the loans and receivables category if it otherwise would have met the definition of loans and receivables and if the Company has the intention and ability to hold that financial asset for the foreseeable future or until maturity.

Investment securities are accounted for depending on their classification as either financial assets through profit or loss, available-for-sale financial assets or held-to-maturity investments. The Company classifies and measures investment in unquoted securities as available for sale.

(d) Loans and receivables

Loans and receivables are are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and the the Company does not intend to sell immediately or in the near term.

Loans and receivables are initially measured at fair value plus directly attributable transaction costs, and subsequently measured at amortised cost using the effective interest method. The use of market rates in the measurement of loans issued at below-market rate increases the Company's operating expenses and the balance on the loans and receivable account

The following items are classified and measured as loans and receivables by the Company:

- Cash and cash equivalents: Cash and cash equivalents include notes and coins in hand, deposits held with banks and highly liquid financial assets with original maturities of three months or less from the acquisition date, which are subject to insignificent risk of changes in ttheir fair value, and are used by the Company in the management of its short term commitments. Cash and cash equivalents are carried at amortised cost in the statement of financial position.
- Trade and other receivables: Other receivables comprise of staff debtors, trade receivables and other receivables. They are carried at original invoice amount less any allowance for doubtful receivables. Allowance for doubtful receivables are made where there is evidence of a risk of non-payment, taking into account ageing, previous experience and general economic conditions. Oher receivables are initially measured at fair value and subsequently measured at amortised cost.

(e) Other financial liabilities

Other financial liabilities are measured at amortised cost. Other financial liabilities include sundry creditors and other liabilities.

(iv) Offsetting

Financial assets and liabilities are set off and the net amount presented in the statement of financial position when and only when, the Company has a legal right right to set off the amounts and intends either to settle on a net basis or to realize the assets and settle the liability simultaneously. Income and expenses are presented on a net basis only when permitted under IFRSs, or for gains and losses arising from a group of similar transactions such as in the Company's trading activity.

2. Significant accounting policies (continued)

2.10 Financial instruments (continued)

(v) De-recognition of financial instruments
The Company derecognises a financial asset when the contractual rights to the cash flows from the asset expire or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred or has assumed an obligation to pay those cash flows to one or more recepients subject to certain criteria.

The Company derecognises a financial liability when its contractual obligations are discharged, cancelled or expired. The Company enters into transactions whereby it transfers assets recognised on its statement of financial position but retains either all risks and rewards of the transferred assets or a portion of them. If all or substantially all risks and rewards are retained, then the transferred assets are not derecognised from the statement of financial position. In transactions where the Company neither reatins nor transfers substantially all the risks and rewards of ownership of a financial asset, it derecognises the asset if control over the asset is lost.

2.11 Share capital

Ordinary shares are classified as equity.

2.12 Foreign currency transactions

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).

3. Significant judgments and estimates

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.

3.1 Useful lives and residual values of property, plant 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 2.3 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 as at 31 December 2018 was $854,765 (2017: $1,021,125).

3.2 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 montly 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. The carrying amount of the Company's allowance for credit losses as at 31 December 2018 was $64,766 (2017: $21,338).

3.3 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.

3.4 Going concern assessment

The company assesses the appropriateness of the going concern assumption at each statement of financial position date. This involves making judgments about viability of proposed strategies to turn around the company, as well as estimation of future cash flows. The process is therefore subjective.

4. Property and Equipment

	Land and buildings USD	ATS Hardware USD	Equipment (including furniture and fittings) USD	Vehicles USD	Total USD
Net carrying amount at 1 January 2017	**600 000**	**414 210**	**66 324**	**140 394**	**1 220 928**
Gross carrying amount - cost/valuation	937 580	591 728	116 366	394 287	2 039 961
Accumulated depreciation	(337 580)	(177 518)	(50 042)	(253 893)	(819 033)
Additions	21 919	-	2 626	-	24 545
Disposals	-	-	(342)	(56 510)	(56 852)
Gross carrying amount - cost/valuation	-	-	(813)	(190 523)	(191 336)
Accumulated depreciation	-	-	471	134 013	134 484
Depreciation charge for the year	(14 588)	(118 346)	(10 436)	(24 126)	(167 496)
Net carrying amount at 31 December 2017	**607 331**	**295 864**	**58 172**	**59 758**	**1 021 125**
Gross carrying amount - cost/valuation	959 499	591 728	118 179	203 764	1 873 170
Accumulated depreciation	(352 168)	(295 864)	(60 007)	(144 006)	(852 045)
Additions	-	-	17 301	-	17 301
Disposals	-	-	(381)	(27 497)	(27 878)
Gross carrying amount - cost/valuation	-	-	(6 713)	(115 386)	(122 099)
Accumulated depreciation	-	-	6 332	87 889	94 221
Depreciation charge for the year	(14 990)	(118 346)	(10 945)	(11 502)	(155 783)
Net carrying amount at 31 December 2018	**592 341**	**177 518**	**64 147**	**20 759**	**854 765**
Gross carrying amount - cost/valuation	959 499	591 728	128 767	88 378	1 768 372
Accumulated depreciation	(367 158)	(414 210)	(64 620)	(67 619)	(913 607)

	2018 USD	2017 USD
5. Intangible assets		
Net carrying amount at 1 January	545 242	763 339
Gross carrying amount - Cost	1 090 484	1 090 484
Accumulated amortisation	(545 242)	(327 145)
Additions	61 761	-
Amortisation charge for the year	(241 523)	(218 097)
Impairment loss	-	-
Net carrying amount at the end of the year	**365 480**	**545 242**
Gross carrying amount - Cost	1 152 245	1 090 484
Accumulated amortisation	(786 765)	(545 242)

6. Unquoted investment

	2018 USD	2017 USD
Balance at the beginning of the year	262 991	262 991
Fair value adjustments through other comprehensive income	142 298	-
Balance at the end of the year	405 289	262 991

The Exchange 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 USD 405 289.

7. Deferred tax

	2018 USD	2017 USD
Analysis of deferred tax:		
Property and equipment	(51 867)	2 069
Investment in unquoted equities	(28 460)	-
Leave pay provision	8 770	10 040
Allowance for credit losses	16 677	5 495
Other payroll provisions	-	45 719
	(54 880)	63 323
Deferred tax reconciliation		
Balance at beginning of the year	63 323	-
Recognised in statement of profit or loss	(118 203)	63 323
Balance at the end of the year	(54 880)	63 323

	2018 USD	2017 USD

8. Financial assets at fair value through profit/loss

	2018 USD	2017 USD
Opening balance	6 266	3 279
Purchase of financial instruments	1 200 000	-
Fair value adjustments through profit or loss	18 036	2 987
Closing balance	1 224 302	6 266

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

9. Trade and other receivables

	2018 USD	2017 USD
Trade receivables	292 363	197 120
Allowance for credit losses	(64 766)	(21 339)
Net trade receivables	227 597	175 781
Other receivables	60 421	66 428
Balance at the end of the year	288 018	242 209

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

10. Held to maturity investments

	2018 USD	2017 USD
Balance at the beginning of the year	301 983	-
Purchase of additional instruments	801 700	300 000
Maturity or termination	(300 000)	-
Interest accrued at the end of the year	10 600	1 983
Closing balance	814 283	301 983

11. Cash and cash equivalents

	2018 USD	2017 USD
Cash at bank	26 534	84 106
Short-term deposits	100 097	825 255
	126 631	909 361

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.

Included in cash and cash equivalents are bond notes and coins which are bearer instruments. Their value is pegged at 1:1 with the United States dollar as promulgated in Statutory Instrument 133 of 2016. USD and bond notes and coins transactions are maintained in the same bank account.

Please also refer to **note 1.2** above on the determination of functional currency.

	2018 USD	2017 USD

12. Share capital and premium

	2018 USD	2017 USD
Authorised share capital		
6 000 000 ordinary shares of $0.01 each	60 000	60 000
Issued share capital		
100 037 ordinary shares of $0.01 each	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 (2017: 6 million) with a par value of US$0.01 per share. The issued shares are 100 037 (2017:100 037) 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.

13. Non Distributable Reserve

	2018 USD	2017 USD
Non Distributable Reserve	77 981	77 981

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.

14. Loans

14.1 Long-term Borrowings

Lender	Loan Amount USD	Interest rate %	Maturity	Balance 2018 USD	Balance 2017 USD
Investor Protection Fund	1 500 000	8	9-Nov-19	1 500 000	1 500 000

The loan has been classified as short term as at 31 December 2018 as it is redeemable on 9 November 2019.

14.2 Short-term Borrowings

Lender	Loan Amount USD	Interest rate %	Maturity	Balance 2018 USD	Balance 2017 USD
Investor Protection Fund	1 500 000	8	9-May-19	17 145	17 145

The short-term borrowings relates to the coupon accrued at year end payable on 09 May 2019.

Notes to the
Financial statements
For the year ended 31 December 2018 (*cnt.d*)

	2018 USD	2017 USD
15. Trade and other payables		
Sundry creditors	214 679	108 702
Payroll liabilities	25 520	18 879
Accruals and other payables	35 030	284 140
	275 229	411 721

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

16. Revenue

	2018 USD	2017 USD
ZSE levy	1 853 619	1 389 738
Annual listing fees	838 821	722 012
Initial listing fees	35 870	-
Corporate action fees	36 890	41 890
Members subscription fees	35 100	35 438
Non-Member Institution subscription fees	70 470	17 862
Data vending	21 365	2 960
Training services	4 904	-
	2 897 039	2 209 900

17. Other income

	2018 USD	2017 USD
Venue hire	1 000	435
Miscellaneous income	88	2 630
Profit on disposal of assets	2 326	
Dividend received	6 720	-
	10 134	3 065

18. Operating profit

Operating profit is stated after taking into account of the following items:

18.1 Staff costs

	2018 USD	2017 USD
Salaries and allowances	552 963	543 392
Staff bonus	45 114	37 705
Other staff costs	(124 452)	177 552
Employer pension contribution	62 060	72 783
Leave pay expenses	21 910	15 037
Medical aid	42 982	37 620
Social security costs	12 268	11 642
Pension fund administration fees	5 046	5 385
	617 891	901 116

	2018 USD	2017 USD

18. Operating profit (continued)

18.2 Other operating costs

	2018 USD	2017 USD
Computer maintenance and systems support	27 589	24 294
Annual General Meeting	1 275	1 382
Annual Report	5 834	905
ATS Escrow Fees	2 536	2 404
Audit fees	25 893	24 251
Bank charges	9 747	4 964
Board sitting fees	91 050	108 050
Brand or ZSE visibility expenses/marketing costs	19 029	13 031
Teas/cleaning and general office expenses	6 631	4 122
Consultancy and professional fees	14 120	20 613
Entertainment and gifts	4 117	1 090
Insurance	19 921	22 483
Investor education and promotion	6 030	-
Legal fees	11 427	28 299
Management fees - sinking fund agent	5 400	5 300
Motor vehicle - fuel & oil	7 202	11 786
Printing/stationery	13 254	6 306
Allowance for credit losses	43 428	15 129
Recruitment expenses	715	-
Premises costs	25 366	16 667
Security service	3 324	2 763
Staff training/professional development	27 431	4 161
Staff protective clothing	182	82
Staff welfare	4 402	111
Statutory levies	32 485	25 190
Subscription, membership/publications Fees	15 085	8 769
Telephone and other communication expenses	10 235	9 880
Travelling and Conferences	9 116	11 143
Moto vehicle service and other expenses	5 323	5 955
Website support services	16 285	3 188
Loss on disposal of equipment and vehicles	-	14 469
Software licencing costs	148 733	86 105
	613 165	482 892

18.3 Depreciation and amortisation

	2018 USD	2017 USD
Buildings	14 990	14 588
ATS - Hardware Equipment	118 346	118 346
Equipment (including furniture and fittings)	10 945	10 436
Vehicles	11 502	24 126
ATS - Software licence	241 523	218 097
	397 306	385 593

	2018 USD	2017 USD

19. Finance income and finance costs

19.1 Finance income

	2018 USD	2017 USD
Interest on short-term fixed deposits	66 849	23 119
Interest on staff loans and advances	715	229
	67 564	23 348

19.2 Finance costs

	2018 USD	2017 USD
Interest paid - long term borrowings	120 000	120 000

The loan is charged an interest of 8% per annum and is redeemable on 9 November 2019.

20. Income tax expense

	2018 USD	2017 USD
Current tax	347 033	156 172
Deferred tax	118 203	(63 323)
	465 236	92 849

Tax rate reconciliation

	2018 USD	2017 USD
Profit before tax	1 244 411	349 699
Income tax charge at 25.75%	320 436	90 047
Tax effect of:		
Non-deductible expenses	144 800	2 802
Non-taxable items	-	-
Expired assessed loss derecognised	-	-
	465 236	92 849

Income tax payable

	2018 USD	2017 USD
Balance at beginning of year	156 172	-
Charge to profit or loss	347 033	156 172
Taxes paid	(460 626)	-
Balance at the end of the year	42 579	156 172

21. Related party information

21.1 Related parties	Nature of relationship	2018 USD	2017 USD
Bartholomew Mswaka	Non-Executive Director		
Martin Matanda	Key management		
Obert Ngwenya	Key management		
Lina F. Mushanguri	Key management		
Lyndon T. Nkomo	Key management		

21.2 Transactions with related parties

Entity	Nature of transaction	Value of transactions	
Bartholomew Mswaka	Board and committee sitting fees	13 450	16 450

21.3 Key management personnel compensation

Salaries and other short term employee benefits	277 736	322 218
Other staff costs	-	177 552
Pension contributions	30 652	47 713
	308 388	547 483

Key management personnel are those persons having authority and responsibility or planning, directing and controlling the activities of the company.

22. Financial Risk Management

(i) Risk management framework
Fundamental to the business activities and growth of the Company is a strong risk management pracice which is at the core of achieving the Company's Strategic Objectives. The Board has overall responsibility for the establishment and oversight of the Company's risk management framework. The Audit and Risk Committee is responsible for developing and monitoring the Company's risk management policies. The Audit and Risk Committee regularly reports to the Board on its activities.
The Company's risk management policies are established to identify and analyse the risks faced by the Company, to set appropriate limits and controls and to monitor risks and adherence to the limits. Risk managemet policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities. The Company through its training and management standards and procedures, aims to develop a disciplined and risk informed environment in which all employees have a good understanding of inherent risk specific to their departments.

The Audit and Risk Committee oversees how management monitors compliance with the Company's risk managemet policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Company. The Committee is assisted in its oversight role by the Finance and Compliance Department which undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the Audit and Risk Commitee.
The Company is exposed to the following principal risks arising from financial instruments:

- Credit Risk; and
- Liquidity risk.

22. Financial Risk Management (continued)

(i) Credit Risk
Credit risk is the risk of financial loss to the Company if a customer or counter party to a financial instrument fails to meet its contractual obligations and arises principally from the Company's receivables and investment securities.

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.

The Company limits its exposure to credit risk by ensuring its ratio of trade receivable to total revenue is kept within acceptable threshholds . The Company establishes an allowance for impairment that represents its estimate of incurred losses in respect of trade and other receivables.

Held-to-maturity Investments
The Company limits its exposure to credit risk by investing in only liquid money market instruments. The Company held HTM of $814,283 at 31 December 2018 (2017: $301,983) which represents its maximum credit exposure on RBZ Savings Bonds.

Cash and cash equivalents
The Company held cash and cash equivalents of $126,632 at 31 December 2018 (2017 : $909,361) which represents its maximum exposure on these assets. The cash and cash equivalents with maturity profile of less than 3 months are held with local banks with solid financial and capital cover.

(ii) Liquidity risk
Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or anotherfinancial asset. The Company's approach to managing liquidity is to ensure as far possible that it will have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions without incurring unacceptable losses or risking damage to the Company's reputation.

Prudent liquidity risk management implies maintaining sufficient cash and marketables securities.
A maturity analysis of financial instruments as at 31 December 2018 is as follows:

Description	Up to 3 months USD	3 months - 1 year USD	1 year - 5 years USD	Total USD
Cash and cash equivalents	126 632	-	-	126 632
Trade and other receivables	21 338			21 338
Held to maturity investments	-	814 283	-	814 283
Financial assets at fairvalue through profit or loss	-	1 224 302	-	1 224 302
Total Assets	147 970	2 038 585	-	2 186 555
Liabilities				
Interest bearing loans and borrowings		1 517 415		1517415
Trade and other payables	150 187			150187
Total Liabilities	150 187	1 517 415	-	1 667 602
Liquidity surplus	(2 217)	521 170	-	518 953
Cumulative liquidity surplus	(2 217)	518 953	518 953	518 953

(iii) Market risk
Market risk is the risk that changes in market prices such as foreign exchange rates, interest rates and equity prices will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters while optimising the return, The Company uses a range of tools such as sensitivity analysis to manage its exposure to market risk.

22 Financial Risk Management (Continued)

(iv) Price risk
Price risk is the risk of a decline in the value of a security or a portfolio.

(v) 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.

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

(vi) 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 2018.The Company monitors capital on the basis of the capital adequacy directive by the regulator, the Securities and Exchange Commission of Zimbabwe.

23. Fair value of financial assets and liabilities

23.1 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 Exchange 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 USD	Level 2 USD	Level 3 USD	Total USD
At fair value through profit or loss 2018	-	1 224 302	-	1 224 302
At fair value through profit or loss 2017	-	6 266	-	6 266
Unquoted equities 2018 (At fairvalue through other comprehensive income)	-	-	405 289	405 289
Unquoted equities 2017 (Available for sale)	-	-	262 991	262 991

24. Commitments and Contigencies

24.1 Litigation Claim Contigency

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.

24.2 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 of dismissal of the claim are high.

24.3 Capital Commitments

	2018 USD	2017 USD
Authorised but not yet contracted for	245 288	48 534
	245 288	48 534

Capital commitments will be funded from internal resources.

25. Retirement Benefits Plans

25.1 Zimbabwe Stock Exchange Pension Fund

Pension funds are provided for employees to a separate fund to which the Company contributes. The fund is independently administered and insured by ZB Life Assurance Limited.

25.2 National Social Security Authority Scheme (NSSA)

All employees are required by law to be members of the National Social Security Scheme which is a defined contribution scheme established under the National Social Security Authority Act (1989). In accordance with regulations of the scheme employer contributions are 3,5% of basic salary per employee per month up to a maximum of $700. The company's contributions during the year amounted to $12 268 (2017: $11 642)

26. Events after the reporting period

26.1 The Directors of the Company declared a dividend of ZWL$1.90 per share for the financial year 2018. The dividend of ZWL$195,138 was declared on 17 April 2019.

26.2 Monetary Policy Statement (MPS) of 20 February 2019

On 20 February 2019, the RBZ Governor announced the new monetary policy statement whose highlights were:

- Denomination of RTGS balances, bond notes and coins collectively as RTGS dollars;
- RTGS dollars become part of the multi-currency system;
- RTGS dollars to be used by all entities and individuals for the purposes of pricing of goods and services, record debts, accounting and settlement of domestic transactions and
- Establishment of inter-bank foreign exchange market where the exchange rate will be determined by market forces.

A sensitivity analysis for events after the reporting period for the financial year ended 31 December 2018 is shown below:

COMPONENTS OF REPORTED AMOUNTS						SENSITIVITY ANALYSIS		
	Monetary Assets/ Liabilities Nostro FCA	Monetary Assets/ Liabilities Nostro FCA	Non-monetary Assets/ Liabilities Nostro FCA	Non-monetary Assets/ Liabilities Nostro FCA	Total translated at a rate of US$1:RTGS$1	Total RTGS $ translated at a rate of US$1:RTGS$2.5	Total RTGS $ translated at a rate of US$1:RTGS$3.5	Total RTGS $ translated at a rate of US$1:RTGS$4
Element	**USD**	**RTGS $**	**RTGS $**	**USD**				
ASSETS								
Property and equipment	-	-	254 764	600 000	854 764	1 754 764	2 354 764	2 654 764
Intangible assets	-	-	365 480	-	365 480	365 480	365 480	365 480
Unquoted investments	-	-	405 289	-	405 289	405 289	405 289	405 289
Trade and other receivables	15 500	272 518	-	-	288 018	311 268	326 768	334 518
Other financial assets	-	2 038 585	-	-	2 038 585	2 038 585	2 038 585	2 038 585
Bank and cash balances	180	126 452	-	-	126 632	126 902	127 082	127 172
Total assets	15 680	2 437 555	1 025 533	600 000	4 078 768	5 002 288	5 617 968	5 925 808

26. Events after the reporting period (Continued)

COMPONENTS OF REPORTED AMOUNTS						SENSITIVITY ANALYSIS		
	Monetary Assets/ Liabilities Nostro FCA	Monetary Assets/ Liabilities Nostro FCA	Non-monetary Assets/ Liabilities Nostro FCA	Non-monetary Assets/ Liabilities Nostro FCA	Total translated at a rate of US$1:RTGS$1	Total RTGS $ translated at a rate of US$1:RTGS$2.5	Total RTGS $ translated at a rate of US$1:RTGS$3.5	Total RTGS $ translated at a rate of US$1:RTGS$4
Element	**USD**	**RTGS $**	**RTGS $**	**USD**				
SHARHOLDERS' EQUITY								
Share capital	-	-	1 000	-	1 000	1 000	1 000	1 000
Share premium	-	-	70 739	-	70 739	70 739	70 739	70 739
Non-distributable reserve	-	-	77 981	-	77 981	977 981	1 577 981	1 877 981
Retained earnings	-	-	2 039 215	-	2 039 215	1 893 008	1 795 537	1 746 802
Total shareholders' equity	-		2 188 935	-	2 188 935	2 942 728	3 445 257	3 696 522
LIABILITIES								
Trade and other payables	113 151	162 078	-	-	275 229	444 956	558 107	614 682
Short term borrowings	-	1 500 000	-	-	1 500 000	1 500 000	1 500 000	1 500 000
Current portion of long term loans	-	17 145	-	-	17 145	17 145	17 145	17 145
Deferred tax liability	-	54 880	-	-	54 880	54 880	54 880	54 880
Income tax payable	-	42 579	-	-	42 579	42 579	42 579	42 579
Total liabilities	113 151	1 776 682	-	-	1 889 833	2 059 560	2 172 711	2 229 286
Total equity and liabilities	113 151	1 776 682	2 188 935	-	4 078 767	5 002 288	5 617 968	5 925 807

Key Assumptions

- The interbank market rate opened at an exchange rate of RTGS$3.00 to USD1.00
- On 28 March 2019 the interbank market closed at an exchange rate of RTGS$3.00 to USD1.00

- The above figures do not necessarily reflect opening balances in RTGS dollars for the 2019 financials statemements.

26.3 Approval of finacial statements

The financial statements were approved by the Board of Directors for issue on 17 April 2019.

Notes

Notes

ZIMBABWE STOCK EXCHANGE

www.zse.co.zw

44 Ridgeway North, Highlands, Harare, Zimbabwe
Telephone: +263-242-886830 – 5
Email: info@zse.co.zw