

# ZIMBABWE STOCK EXCHANGE LIMITED

2019  
ANNUAL REPORT





# ZSE Training Portal

The ZSE Training portal is a user friendly, online educational platform that promotes financial education through the various investment resources available on the portal.

**Services available on the portal include:**

- Free Investment 101 Course
- Glossary for Capital Market Terms
- Upcoming Events and Training



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# 2019 HIGHLIGHTS



# 2019 HIGHLIGHTS



**Zimbabwe International Trade Fair (ZITF)**  
23-27 April 2019

*Nust Investors Association*



**Harare IPO Masterclasses**  
30 April 2019

*Delegates participating during the question and answer during the Harare IPO Masterclass*



**Issuer Cocktail**  
25 June 2019

*ZSE CEO, Justin Bgoni interacting with Issuer Representatives*



**Bulawayo IPO Masterclass**  
04 July 2019

*A financial advisor, Mr Bhekithemba Nkomo from Lloyd Corporate Capital talking to potential Issuers on the listing process*



**ZSE meets with Honourable Professor Mthuli Ncube**  
15 July 2019

*A discussion between ZSE's Directors, Senior Management team and Honourable Professor Mthuli Ncube*



**IPP Masterclass**  
01 August 2019

*Guest of Honour - Minister of Energy and Power Development Advocate Fortune Chasi*





# 2019 HIGHLIGHTS



**ZSE sign MoU with Botswana Stock Exchange (BSE)**  
16 September 2019

*ZSE CEO Justin Bgoni and BSE CEO Thapelo Tsheole exchanging the Memorandum of Understanding documents*



**ZSE's Study Tour of Nairobi Securities Exchange (NSE)**  
23 September 2019

*NSE CEO, Geoffrey Odundo with the ZSE Board of Directors and Senior Management*



**ZSE Training**

*Delegates present at the ZSE revised listing rules training*



**ZSE Welcomes Fincint Securities**  
11 October 2019

*ZSE CEO, Justin Bgoni welcomes Fincint Securities*



**Investor Education Sessions**

*O and A Level students from Dewure High School in Masvingo*



**Celebrating the day of the Girl Child**  
11 October 2019



# CORPORATE INFORMATION

Mrs Caroline Sandura  
Mr Bartholomew Mswaka  
Mr Benson Gasura  
Mrs Maureen Rudo Svova  
Mr Daniel Muchemwa  
Mr Kholisani Moyo  
Markus de Klerk  
Mr Justin Bgoni  
Mr Obert Ngwenya

**Chairman**  
**Deputy Chairman**  
**Member**  
**Member**  
**Member (Deceased 24/05/2020)**  
**Member**  
**Member**  
**Chief Executive Officer**  
**Finance Director**

## **SECRETARY**

Mr Lyndon Tuyani Nkomo

## **REGISTERED OFFICE**

Number 44 Ridgeway North  
Highlands  
Harare  
Zimbabwe

## **AUDITORS**

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

## **ATTORNEYS**

Messrs Dube Manika and Hwacha  
Legal Practitioners  
Commercial Law Chambers  
6th Floor Goldbridge  
Eastgate Complex  
Sam Nujoma Street  
Harare

## **PRINCIPAL BANKERS**

FBC Bank  
Stanbic Bank Zimbabwe Limited



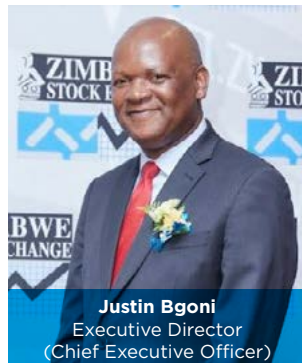
# BOARD OF DIRECTORS



**Mrs Caroline Sandura**  
Chairman and Non Executive Director



**Bartholomew Mswaka**  
Vice Chairman and  
Non Executive Director



**Justin Bgoni**  
Executive Director  
(Chief Executive Officer)



**Obert Ngwenya**  
Executive Director  
(Finance)



**Kholisani Moyo**  
Non Executive Director



**Benson Gasura**  
Non Executive Director



**Maureen Svova**  
Non Executive Director



**(The Late) Daniel Muchemwa**  
Non Executive Director



**Markus de Klerk**  
Non Executive Director



# SENIOR MANAGEMENT



**Justin Bgoni**  
Executive Director  
(Chief Executive Officer)



**Obert Ngwenya**  
Executive Director  
(Finance)



**Lyndon Nkomo**  
Company Secretary/ Head of  
Legal, Compliance and Issuer  
Regulation



**Anymore Tarvinga**  
Head of Business  
Development



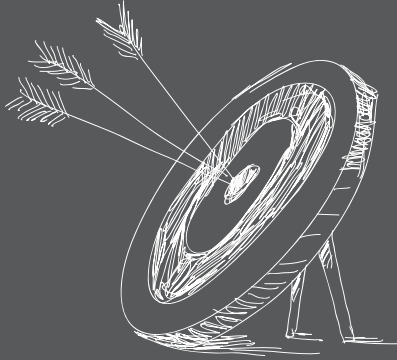
**Ezekiel Mukanga**  
Head of Information,  
Communication & Technology



**Robert Mubaiwa**  
Head of Trading

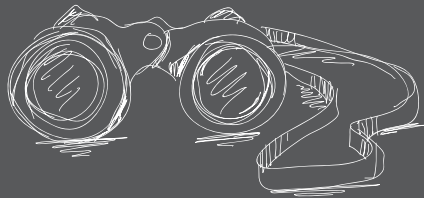


## OUR VISION, MISSION STATEMENT AND VALUES



### MISSION STATEMENT

To be the best in providing long term capital and risk management solutions to businesses and Governments whilst allowing the public to enjoy diversified, safe and easy investments



### VISION

To be the preferred securities exchange in Africa



### VALUES

#### **Commitment**

To realising our vision and mission

#### **Diligence**

In performing our tasks and duties

#### **Innovation**

In developing solutions to our challenges and opportunities

#### **Integrity**

We adhere to strong moral and ethical standards

## THE ZSE'S BACKGROUND AND TRANSFORMATIONAL JOURNEY

The Zimbabwe Stock Exchange Limited ('ZSE') is a licensed securities exchange in terms of the Securities and Exchange Act (24:25). 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. The ZSE currently provides a listing and trading platform for equity securities, debt securities, depository receipts and Exchange Traded Funds.

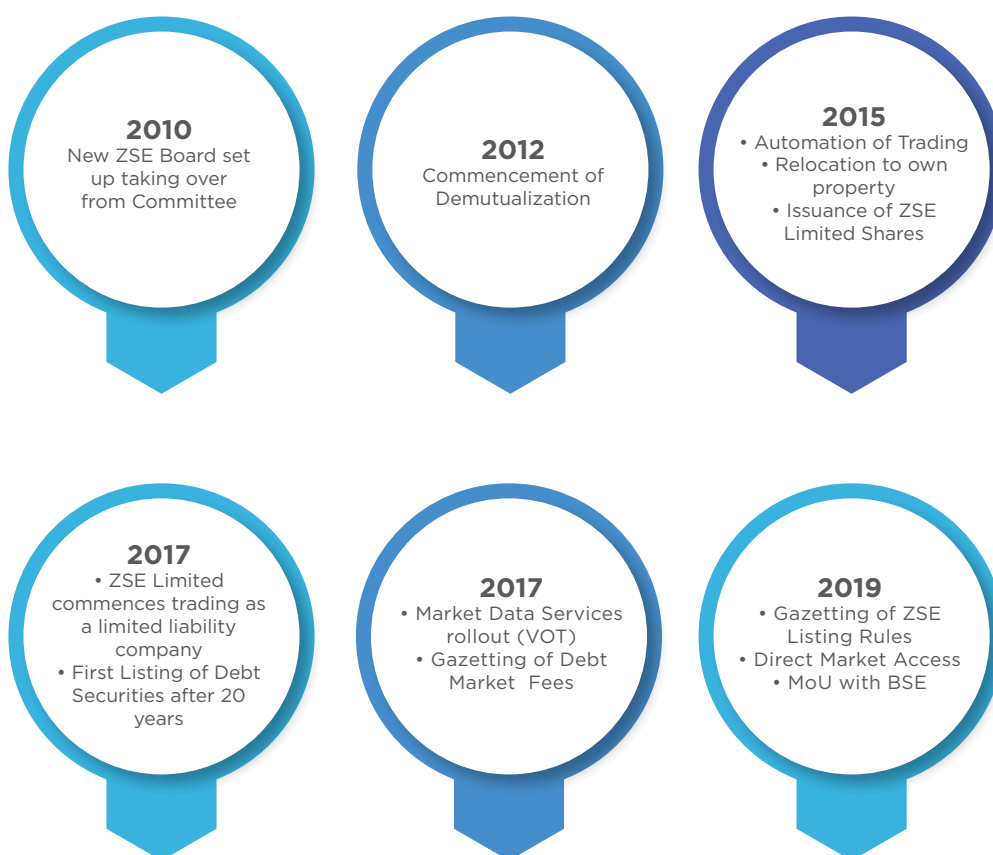
### Services

- Facilitating raising of long term capital for companies, Government and semi Government institutions;

- Providing a regulated platform for secondary market buying and selling of securities;
- Provision of information such as historical financial statements, securities prices and market reports; and
- Regulating market participants and security issuers (listed entities).

### Evolution

Dating back to 1894, the ZSE has evolved to be one of the advanced and diversified securities exchanges in Sub-Saharan Africa. In recent years the exchange has taken a transformational journey as follows:





## STAKEHOLDER ENGAGEMENT

The ZSE continues to engage with stakeholders to ensure that its business and strategy are in line with stakeholder input. In 2019 the ZSE engagements with stakeholders were as follows;

Stakeholder	Nature of Engagement	Matters Covered
Shareholders	<ul style="list-style-type: none"> <li>• AGM/EGM</li> </ul>	<ul style="list-style-type: none"> <li>• Sustainable growth from new revenue streams</li> </ul>
Ministry of Finance and Economic Development (MoFED)	<ul style="list-style-type: none"> <li>• National budget input</li> <li>• Government Debt Securities</li> <li>• Market performance</li> <li>• State enterprises reform</li> <li>• Taxation on REITs</li> <li>• Fungibility of Shares</li> </ul>	<ul style="list-style-type: none"> <li>• Removal of capital gains withholding tax on sale of securities</li> <li>• Listing and trading of Government securities</li> <li>• Growth in turnover and market capitalization</li> <li>• Listing of State enterprises on the ZSE</li> <li>• Lobbying for tax incentives for REITs</li> <li>• Reversal of fungibility suspension</li> </ul>
Ministry of Justice, Legal and Parliamentary Affairs	<ul style="list-style-type: none"> <li>• Legal drafting</li> </ul>	<ul style="list-style-type: none"> <li>• Review and gazetting of listing rules</li> </ul>
Ministry of Mines and Mining Development	<ul style="list-style-type: none"> <li>• Victoria Falls Exchange (VFEX)</li> </ul>	<ul style="list-style-type: none"> <li>• Funding of mining companies</li> </ul>
Reserve Bank of Zimbabwe (RBZ)	<ul style="list-style-type: none"> <li>• Government Debt Securities</li> <li>• Financial inclusion</li> <li>• VFEX</li> <li>• Fungibility</li> </ul>	<ul style="list-style-type: none"> <li>• Listing and trading of Government securities</li> <li>• Participation in financial inclusion thematic working groups</li> <li>• Exchange control regulations on dual listed companies</li> </ul>
Securities and Exchange Commission of Zimbabwe (SECZ)	<ul style="list-style-type: none"> <li>• Securities and Exchange Act (Chapter 24:25)</li> <li>• Market performance</li> <li>• Investor education</li> </ul>	<ul style="list-style-type: none"> <li>• Amendments to the Act</li> <li>• Growth in turnover and market capitalization</li> <li>• Investor education initiatives</li> </ul>
Investors	<ul style="list-style-type: none"> <li>• Due diligence meetings with foreign investors</li> <li>• New products</li> </ul>	<ul style="list-style-type: none"> <li>• Market developments</li> <li>• Listings requirements</li> </ul>

## STAKEHOLDER ENGAGEMENT *(continued)*

Stakeholder	Nature of Engagement	Matters Covered
Stockbrokers	<ul style="list-style-type: none"> <li>New products and services</li> </ul>	<ul style="list-style-type: none"> <li>Market making,</li> <li>Direct Market Access and</li> <li>Revised listing rules</li> </ul>
Issuers	<ul style="list-style-type: none"> <li>Revised Listing Rules</li> <li>Corporate actions</li> </ul>	<ul style="list-style-type: none"> <li>New Listing Rules and practice notes</li> <li>Listing master class</li> </ul>
Insurance and Pensions Commission (IPEC)	<ul style="list-style-type: none"> <li>New products</li> </ul>	<ul style="list-style-type: none"> <li>Proposal for REITs</li> </ul>
Zimbabwe Association of Pension Funds (ZAPF)	<ul style="list-style-type: none"> <li>New products</li> </ul>	<ul style="list-style-type: none"> <li>Proposal for REITs</li> <li>Exchange Traded Funds (“ETFs”)</li> </ul>
Chengetedzai Depository Company (CDC)	<ul style="list-style-type: none"> <li>Trading and settlement</li> <li>New products</li> </ul>	<ul style="list-style-type: none"> <li>System efficiencies</li> <li>ETFs</li> <li>Security lending and borrowing</li> </ul>
African Exchanges	<ul style="list-style-type: none"> <li>CoSSE</li> <li>ASEA</li> <li>NSE</li> <li>BSE</li> </ul>	<ul style="list-style-type: none"> <li>Regional integration and hosting CoSSE AGM and Stockbroker’s Networking Session</li> <li>ASEA Conference</li> <li>Collaboration and promoting cross listings</li> <li>Signing of MoU</li> </ul>
Public Accountants and Auditors Board	<ul style="list-style-type: none"> <li>Financial reporting</li> </ul>	<ul style="list-style-type: none"> <li>Audit opinion and hyper inflation reporting</li> <li>Integrated reporting</li> </ul>
Media	<ul style="list-style-type: none"> <li>Market statistics</li> <li>Capital market developments</li> </ul>	<ul style="list-style-type: none"> <li>Reporting of market performance</li> <li>capital market developments</li> </ul>
Community	<ul style="list-style-type: none"> <li>Responsible behaviour and governance</li> </ul>	<ul style="list-style-type: none"> <li>Adherence to corporate governance and corporate social investment policy</li> </ul>
Employees	<ul style="list-style-type: none"> <li>Opportunities for career development and growth</li> <li>Training</li> </ul>	<ul style="list-style-type: none"> <li>Review of organisational structure and staffing levels</li> <li>Training and development</li> </ul>



## ZSE'S SUSTAINABILITY STRATEGY

Sustainability is a critical aspect in the operations of the ZSE. The ZSE strategy on sustainability is focused on promoting sustainable investment, community involvement and environmental impact consideration. To promote sustainable investment, the ZSE published its revised Listing Requirements in 2019 with the inaugural guidance for Listed Companies on Sustainability Reporting. The ZSE encourages the adoption of internationally accepted reporting frameworks, such as the Global Reporting Initiatives (GRI) Sustainability Reporting Guidelines or Standards, in disclosing the listed companies' sustainability performance.

During the year the ZSE also published its Green and Social Bond Principles for social and green bonds. The ZSE also maintained its membership of the United Nations Sustainable Stock Exchange (SSE) initiative. Going forward the ZSE will be launching a Sustainability Index as a commitment to promote sustainable investment and will also be adopting the GRI Sustainability Reporting Guidelines.







## CHAIRMAN'S STATEMENT TO MEMBERS

**Mrs Caroline Sandura**

*As part of assisting the Government in achieving 2030 goals and companies raising capital for growth, the ZSE has formulated a concept to establish the Victoria Falls Exchange ("VFEX").*

### Introduction

I am pleased to present ZSE's journey and financial performance for the year 2019. The 2019 performance was achieved under great economic uncertainty both at global and local level.

Global economic activity is estimated to have slowed down in 2019, partly due to the negative effects of the trade war between the United States of America and China. According to the International Monetary Fund (IMF), world economic growth in 2019 declined to 2.9% from 3.6% in 2018.

According to the Reserve Bank of Zimbabwe, the country's economy contracted by an estimated 6.5% in 2019, weighed down by exogenous shocks in the form of the El-Nino induced drought and the destruction caused by Cyclone Idai. Over the year to December 2019, broad money (M3) grew by close to 250% to reach Z\$35 billion, from Z\$10 billion in December 2018. The growth in M3 was reflected in the sharp increases in annual inflation which closed the year 2019 at 521%.

### Operating Environment

The ensuing year had a number of changes in the operating environment including the abandonment of the multicurrency regime and the introduction of the vesting period for dual listed securities. On a positive note, revised ZSE Listing Rules were published in the Government Gazette of 14 June 2019 and in the 2019 Mid-term Fiscal Review, the Honourable Minister of Finance and Economic Development indicated Government's plans to establish an Offshore Financial Services Centre.



## CHAIRMAN'S STATEMENT TO MEMBERS *(continued)*

### Financial Performance Review

During the year ended 31 December 2019, amidst challenging economic environment the Board sought to manage the balance sheet. In addition the Board focused on the implementation of strategic plan with key pillars on generation of competitive returns and creation of long term value for shareholders.

In the context of a hyperinflationary environment the Company posted satisfactory financial results with total comprehensive income of \$5.12 million, a marginal decline of 3% compared to \$5.30 realised in the comparative period. The Company's financial performance is discussed in more detail under the Chief Executive Officer's report.

### Organisational Transformation

Having successfully completed the demutualization exercise in 2017, 2019 marked the second full year of operations for Zimbabwe Stock Exchange Limited. Notable progress was made in the revision of the ZSE Listing Rules which were published in the Government Gazette in June 2019. The revised rules incorporate enhanced disclosure requirements for listed companies as well as requirements for sustainability reporting. The ZSE initiated discussions on the merger with a company operating a Central Securities Depository and signed a Memorandum of Understanding ("MOU") with Harare Receivables Exchange for the establishment of a receivables discounting platform. An MOU was also signed with Botswana Stock Exchange to encourage cross listings and product development between the two exchanges.

### Corporate Social Development

The ZSE is working on improving its Corporate Social Investment (CSI) Policy, focusing on key thematic areas as guided by the Sustainable Development Goals (SDG). The revised CSI policy will be launched in 2020. In 2019 the ZSE continued to focus on financial inclusion through financial literacy programs targeting young people.

### Directorate

To ensure the success of the ZSE transformation agenda, the Board recruited a substantive Chief Executive Officer, Mr. Justin Bgoni who commenced work from March 2019. The Board is confident that the new CEO will spearhead the ZSE growth as espoused in the ZSE five year strategy

to 2024. Subsequent to year end we lost one of our Board members, Mr. Daniel Muchemwa, who passed away on 24 May 2020. May his soul rest in eternal peace.

### Dividend

The Board has not declared a dividend out of the profits from the financial year ended 31 December 2019 due to the need to manage capital prudently in an environment ravaged by the post year impact of the Covid-19 pandemic.

### Appreciation

I would like to thank the ZSE shareholders for their continued support throughout the year. My appreciation also goes to the Ministry of Finance and Economic Development for its support on new product development for capital markets. The Securities and Exchange Commission continues to play its pivotal role of facilitating capital market development and I am grateful for the cooperation in 2019.

I thank my fellow Board members for the sound advice in steering the ZSE ship and appreciate the strategic ideas shared. To the ZSE management and staff I say, thank you for the hard work and the commitment to realise the ZSE vision.

Last but not least I express my gratitude to our stakeholders comprising market participants, our issuers, investors and the community at large for the positive interactions in 2019.

### Outlook

2020 has begun on a positive note with significant improvement in turnover from secondary market trading. From a strategic perspective we look forward to a conclusion of several projects that were initiated in 2019 including the launch of the receivables trading platform, the ETF listing and the merger transaction. We also look forward to the launch of the new exchange, the Victoria Falls Securities Exchange that is targeting the advantages of a special economic zone.



**Mrs C. Sandura**  
**Chairman**  
**23 June 2020**



## CHIEF EXECUTIVE OFFICER'S STATEMENT

Mr Justin Bgoni

*On the 14th of June 2019 the Revised ZSE Listing Requirements were published under Statutory Instrument 134 of 2019. The listing requirements, which had not been comprehensively reviewed since 2002, are a product of wide consultations with various stakeholders which include Investors, Issuers, Government of Zimbabwe, The Securities and Exchange Commission of Zimbabwe, Professional Advisors and Market Participants.*

### Introduction

When I joined the ZSE last year I committed to three things:

- i) Getting the fundamentals right;
- ii) Improving ZSE relations with stakeholders; and
- iii) Growing the exchange.

I am delighted to report that the first two have been achieved and we are now working on growing the exchange.

### Environmental analysis

The economy continued to be buffeted by the challenges of high inflation and a depreciating local currency. 2019 closed with annual inflation at 521% whilst the newly re-introduced local currency depreciated by 85%. Electricity shortages meant reliance on using generators and with fuel shortages, operating costs rose significantly. The high unemployment and low levels of financial literacy continued to affect the participation of the retail investors on the market. ZSE will be rolling out intense investor education programmes to bridge the information gap.

Technological developments continue to improve ways of doing business and as the ZSE we adopted a strategy to focus on developing our own systems as opposed to outsourcing. Sustainability and environmentally friendly operations have become indispensable and as the ZSE we will be investing in renewable energy.





## CHIEF EXECUTIVE OFFICER'S STATEMENT *(continued)*

### Operations Overview

#### Listings

The ZSE did not have any new listings in 2019 but lost the following counters during the period under review:

Counter	Date of Delisting
PG Industries	8 April 2019
Willdale Preference Shares	8 April 2019
Getbucks: Medium Term Notes	31 October 2019

#### Suspensions

As at 31 December 2019 the following counters were under suspension from trading:

Counter	Date of Suspension
Cottco Holdings Limited	6 November 2014
CFI Holdings Limited	2 January 2018
Hwange Colliery Company Limited	2 November 2018
Border Timbers Limited	12 November 2018
Falcon Gold Zimbabwe Limited	5 February 2019
Hippo Valley Estates	21 August 2019

### RECAPITALISATION/CORPORATE ACTIONS

The ZSE facilitated the following corporate actions in 2019:

Counter	Date	Nature of Corporate Action
GetBucks Microfinance Bank Limited	29 July 2016	Rights Issue
Padenga Holding Limited	28 August 2019	Acquisition of 50.1% shareholding in Dallaglio Investments (Private) Limited

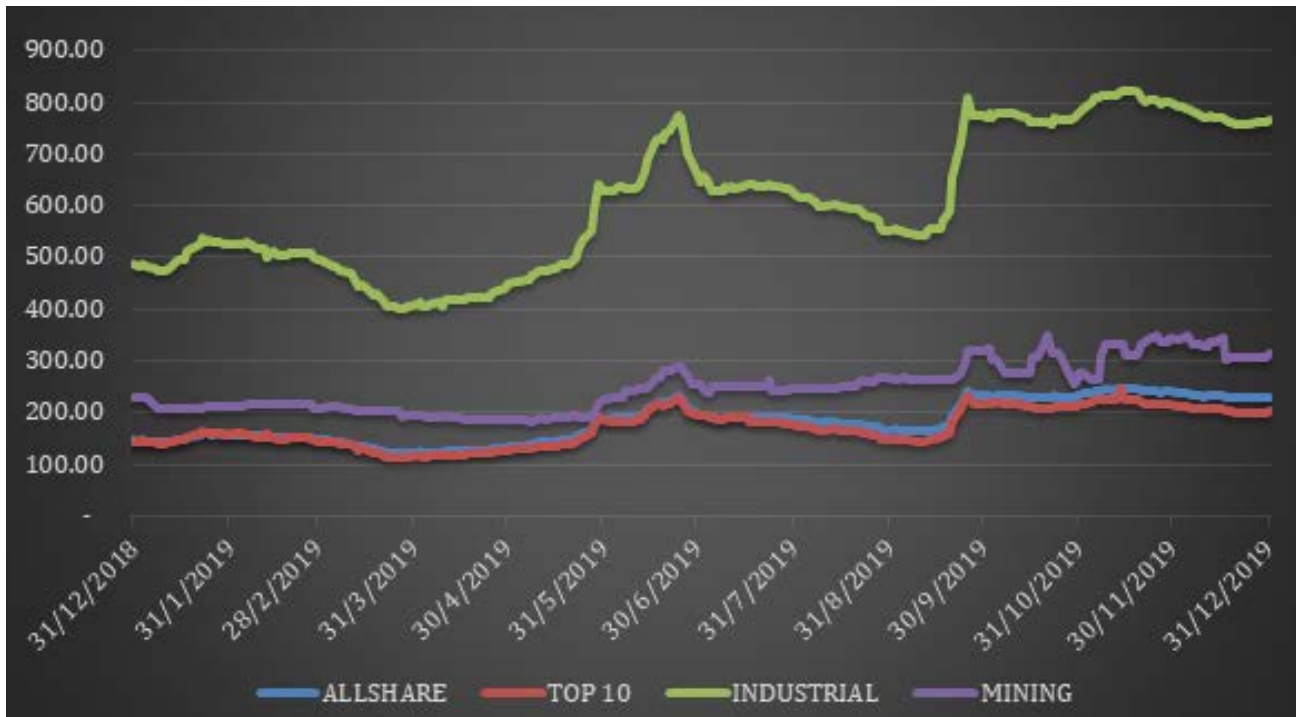
## CHIEF EXECUTIVE OFFICER'S STATEMENT *(continued)*

### Trading Performance

#### Indices

The equities market closed the 2019 trading year on a high note as the benchmark index, the All Share Index gained 57.33% to close at 230.08 points. The Industrial Index put on 57.32% to 766.34 points whilst the blue chip index, the Top 10 Index added 39.76% close at 202.68 points. The Mining Index gained 39.06% to finish the year at 316.66 points. These gains were primarily attributed to inflationary pressures which caused high demand for shares as investors fled to safety.

### ZSE INDICES 2019



#### Turnover

The ZSE recorded a significant turnover of \$2 billion for the year with counters in the Top 10 Index contributing over 80% of the total turnover. It is worth noting that of the 59 counters which traded only two lost ground in the trading year 2019.

### 2019 TURNOVER (MILLION)



## CHIEF EXECUTIVE OFFICER'S STATEMENT *(continued)*

### Liquidity

In terms of liquidity, fungible counters PPC Limited and Old Mutual Limited were among top performers with 28% and 18% respectively. This is despite the introduction of Exchange Control guideline RU102-2019 which requires a 90 day vesting period for all dual listed companies.

Rank	Company	Liquidity Ratio	Market Capitalisation	Turnover
1	Pretoria Portland Cement Limited	27.59%	148,346,628.00	40,924,650.15
2	Old Mutual Limited	17.58%	2,326,060,713.65	409,032,547.94
3	CBZ Holdings Limited	15.75%	479,069,211.80	75,437,989.22
4	Seed Co Limited	14.67%	467,117,200.74	68,511,206.76
5	African Sun Limited	9.58%	215,442,944.25	20,634,633.93
6	Dawn Properties Limited	9.31%	179,373,563.88	16,700,096.78
7	Econet Wireless Zimbabwe Limited	8.49%	3,812,810,981.34	323,776,259.58
8	Delta Corporation Limited	8.04%	4,357,366,753.80	350,406,506.51
9	Cassava SmarTech Zimbabwe Limited	7.01%	3,634,579,869.12	254,715,846.50
10	Axia Corporation Limited	6.99%	346,619,801.60	24,239,687.20

### Foreign Investor Participation

ZSE recorded a net foreign purchases position of \$28.5 million in the year 2019 as foreign investor participation increased to 34% from 31% in the previous year.

Year	2015	2016	2017	2018	2019
Local Investors	44%	48%	70%	69%	66%
Foreign Investors	56%	52%	30%	31%	34%

### Market Capitalisation

The ZSE closed the trading year 2019 with a market capitalization of \$29.77 billion.

#### MARKET CAPITALISATION-ZWL BILLION



## CHIEF EXECUTIVE OFFICER'S STATEMENT *(continued)*

### Projects Review

In 2019 the ZSE continued on its transformation to a world class exchange. Significant progress was realised on the following projects:

#### Revised Listing Requirements

On the 14<sup>th</sup> of June 2019 the Revised ZSE Listing Requirements were published under Statutory Instrument 134 of 2019. The listing requirements, which had not been comprehensively reviewed since 2002, are a product of wide consultations with various stakeholders which include Investors, Issuers, Government of Zimbabwe, The Securities and Exchange Commission of Zimbabwe, Professional Advisors and Market Participants. Key amendments to the rules were necessitated by significant and numerous changes in the local and foreign capital markets which had not been accommodated in the previous rules.

#### Joint Venture with Harare Receivable Exchange

On the 11<sup>th</sup> of December 2019 the ZSE signed a memorandum of Understanding ("MOU") with Harare Receivables Exchange Limited ("HRE") on the setting up of a receivables trading platform. The platform will aid in the provision of working capital solutions to both established businesses and Micro, Small and Medium Enterprises (MSMEs). MSMEs continue to face challenges of limited access to finance and the receivables financing platform will enable them access to working capital at competitive rates.

#### ZSE Training Institute

In the year under review the ZSE began the initiative to offer training courses to market participants. The training courses are meant to deliver specialised training to stakeholders on various capital markets subjects. The Training Institute was officially launched in February 2020 with an online portal <https://zsetraining.co.zw/>.

#### Victoria Falls Exchange (VFEX)

As part of its 5 year strategy to 2024, the ZSE formulated a concept to establish the Victoria Falls Exchange ("VFEX") whose main objectives are to:

- Assist Government in achieving Vision 2030 goals;
- Assist companies to raise capital for growth; and
- Attract foreign investment.

VFEX will target the following main sectors in the economy namely, mining, tourism, horticulture, tobacco, and Finance. It is estimated that the sectors require more than US\$ 20 billion to resuscitate the industries. VFEX shall be operated from the central Business District of Victoria Falls and will trade and in USD.

The settlement and clearing of transactions consummated on the VFEX should be settled according to international best practice including offshore. VFEX will be looking for a strategic partner to operate and develop this initiative. Preferred partners include international Investment banks or other Exchanges around the globe.

#### Exchange Traded Funds

On the 15<sup>th</sup> of November 2019 Statutory Instrument 240 of 2019, Collective Investment Schemes (Internal Schemes) (Amendment) Regulations, 2019 (No. 5) was published in the Government gazette by the Minister of Finance and Economic Development. The publication of the Statutory

Instrument paved way for the registration of various investment schemes with the Securities and Exchange Commission of Zimbabwe, including Exchange Traded Funds. The publication of General Notice 469 of 2020 in the Government Gazette paved way for the listing of Exchange Traded Funds on ZSE. The ZSE is working with a local issuer to have its first ETF listing.

### Financial Performance Review

The financial results of the Company for the year ended 31 December 2019 have been inflation adjusted in compliance with the requirements of *IAS29: Reporting in Hyperinflationary Economies*. The standard requires that financial statements be expressed in terms of a measuring unit current at the end of the reporting period. The historical cost basis was the basis for the preparation of the financial statements in the comparative period and as such the historical numbers have been disclosed as supplementary information.

Total income generated for the year ended 31 December 2019 was \$34.47 million, an increase of 90% in comparison to \$18.17 million recorded in 2018. Prudential cost management was exercised throughout the reporting period to contain the effects of escalating prices of goods and services obtaining in the economy.

The operating expenses however increased to \$22.22 million for the year ended 31 December 2019 compared to \$10.11 million incurred in 2018. As a result the Company posted total comprehensive income for the financial year of \$5.12 million compared to \$5.30 million realised in the comparative period of 31 December 2018. In the first quarter of the year ended 31 December 2019, a dividend of \$1.21 million was paid out to shareholders.

The total assets declined by 7% from \$25.33 million at the comparative year end to \$23.60 million as at 31 December 2019 as a result of financial assets not keeping up with inflation. It is pleasing to note that in real terms the Company's non-current assets increased by 91% to \$19.28 million as at 31 December 2019.

### Outlook

Going forward the ZSE is looking to conclude most of the projects initiated in 2019. We have laid a robust foundation to build on and become the preferred securities exchange in Africa. Our team stands ready to exploit emerging opportunities, fully embracing our core values of commitment, diligence, innovation and integrity. Our strong brand, digital transformation, ICT capabilities, training expertise and relationships with issuers and other stakeholders will remain the key enablers of our business. Our Corporate Governance framework together with robust policies and procedures will not only protect the company's future growth prospects but also improve the operational efficiencies.



**Mr J. Bgoni**  
**Chief Executive Officer**  
**23 June 2020**





## CORPORATE GOVERNANCE REPORT

The Board retains full and effective control over the ZSE operations and assumes overall responsibility for the ZSE's compliance with applicable legislation and governance provisions. The Board is made up of diverse skills as reflected in the director's profiles below:

### **Mrs. Caroline Sandura – Non-Executive Chairman**

Caroline is a Barrister at Law of England and Wales and is a registered Legal Practitioner in Zimbabwe. She holds a Joint Honours Degree in Law and Politics from Keele University (UK). She joined the then Posts and Telecommunication Corporation until its transformation to TelOne (Private) Limited. During this period she held several positions which include being Manager Legal and Regulatory Affairs, Manager Legal and International Affairs and Manager Legal and Public Relations. She is currently the Company Secretary and Legal Advisor for TelOne and is also responsible for the Corporate Communications portfolio. Caroline has been and is currently a member of several Boards

### **Mr. Bartholomew Mswaka – Non-Executive Director**

Bart is the Chief Executive Officer of St Giles Medical Rehabilitation Centre, a registered welfare organisation dedicated to the rehabilitation of adults and children with all types of physical disabilities. He holds a Bachelor's degree in Economics from the University of Zimbabwe. Bart has worked at the Reserve Bank of Zimbabwe as well as the Bank of Botswana where he was an expatriate manager.

Bart switched careers in 1996 and joined stockbrokers Fleming Martin Edwards Securities (now Imara) as a manager. In 1999 he moved to HSBC Securities as the Managing Director (HSBC later became ReNaissance Securities (Pvt) Ltd.) Bart is a registered stockbroker and a former Chairman of the Zimbabwe Stock Exchange. He is currently the Deputy Chairman of the Zimbabwe Stock Exchange Limited and Chairman of Zimbabwe Asset Management Company and Untu Holdings Limited. He also sits on other boards including CIMAS.

### **Mr. Kholisani Moyo – Non-Executive Director**

Kholisani Moyo is a holder of Master of Science Degree in Fiscal Studies from NUST, Bachelor of Science in Economics Honours Degree from University of Zimbabwe, National Diploma in Marketing Management from Bulawayo Polytechnic College and Australia Awards Fellowship in Mining Resources: Sustainable Management of Revenue Flows from University of Sydney. He also has several taxation certificates from the University of Pretoria, which include International taxation, excise taxation and taxation of natural resources. A taxation and financial expert, Kholisani Moyo rose through the ranks in the Ministry of Finance and Economic Development to become a Chief Economist in the Department of Financial and Capital Markets. He has a total of 15 years' experience in the Civil Service of which 11 years was spent in the Revenue and Tax Policy Department of the Ministry of Finance and Economic Development.

### **(The Late) Mr. Daniel Muchemwa – Non-Executive Director**

Daniel was a public sector accountant and financial management practitioner who had over the years developed general management capabilities with strong aptitude for human resources management. Daniel served as the Accountant General in the Ministry of Finance with overall responsibility for public financial management, accounting and control. Daniel also served as a public sector consultant

focusing on strategy, public finance management, procurement and supply management, budgeting and budgetary controls and human resources management. He held a BAcc from the University of Zimbabwe.

### **Mr. Benson Gasura – Non-Executive Director**

Benson is the Managing Director of FBC Securities (Private) Limited a brokerage subsidiary of a financial services group FBC Holdings. He sits on several Board and Executive management committees within the FBC group. Ben is a registered stockbroker, Former Chairman of the Stockbrokers Association of Zimbabwe, Chairman of TIB Insurance, Former Chairman of the Institute of Directors Zimbabwe and a full member of the South African Institute of Financial Markets. Benson is also a Counsellor at ZAPF. He holds a Master of Science in Strategic Management and a Master's in Business Administration. Additionally he holds qualifications in Management, Risk, Banking and Business Leadership. He has been involved in financial services for over 10 years.

### **Mrs. Maureen Svova – Non-Executive Director**

Mrs. Svova has more than 25 years' experience in finance and accountancy gained both in the Profession and in Industry. She is an enthusiastic proponent of women and youth empowerment. She has previously been a director at Zimbabwe Power Company P/L, NMB Bank Limited, Destiny Electronics P/L (former Phillips Zimbabwe); Ambassador Insurance Brokers P/L and Trinidad Industries P/L. She currently seats on the board for the following companies Zimbabwe Stock Exchange Limited, START Africa and Export Credit Guarantee Corporation.

### **Mr. Markus de Klerk – Non-Executive Director**

Markus is a registered legal practitioner in Zimbabwe and has over 20 years' experience in commercial legal matters, corporate administration and the financial services sector in SADC. Currently, he is the Group Legal Counsel of Arden Limited, an investment holding business listed on the Johannesburg Stock Exchange. Before joining Arden he was legal counsel for Imara Capital Zimbabwe.

### **Mr. Justin Bgoni – Chief Executive Officer**

Justin is a Chartered Accountant with over 19 years of international experience in the financial and public sector. Justin holds amongst other qualifications a Bachelor of Accounting Science from the University of South Africa and a Master in Applied Finance from Victoria University of Wellington in New Zealand. Some notable previous appointments include being a Management Consultant McKinsey Incorporated and Chief Financial Officer at New Zealand Stock Exchange.

### **Mr. Obert Ngwenya – Finance Director**

Obert is the Finance Director of the ZSE Limited and Principal Officer of the Company's Pension Fund having joined the Company in July 2012. He is a Registered Public Accountant and a Fellow of the Association of Chartered Certified Accountants. Prior to joining the ZSE Limited, Obert held senior financial and management accounting positions in three companies listed on the ZSE which had operations in financial services, insurance and hospitality sectors. Obert also serves as a Director of Chengetedzai Depository Company Limited.

## STATEMENT ON CORPORATE GOVERNANCE REPORT *(continued)*

### COMMITTEES OF THE BOARD

The Board of Directors of the Company had five Board Committees which provides support to the work of the main Board namely;

- Human Resources and Nominations Committee;
- Audit and Risk Committee;
- Listings Committee;
- Business Development and ICT Committee; and
- Membership Committee

### AUDIT AND RISK COMMITTEE

The Audit and Risk Committee is chaired by a Non-Executive Director and comprises three other Non-Executive Directors. The Chief Executive Officer and Finance Director also sit on the committee as ex-officio members. The Committee meets quarterly and as and when there are urgent matters for its attention.

The Committee's brief includes reviewing the annual financial statements, financial control, the effectiveness of systems of governance, risk management and the adequacy and effectiveness of internal control systems.

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 the appointment of the external auditors as well as the remuneration of the external audit engagement. The external auditors are invited to attend the Committee's meetings. The members of the Committee as at 31 December 2019 were:-

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

### 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 2019 were:-

Mr B. Mswaka (Chairman)  
Mrs M.R. Svova  
Mr M. de Klerk  
Mr S. Shumba  
Mr R. Ndamba  
Mr Mike Van Blerk

### 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 composition 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 human capital policies, performance measurement, reviewing and approval of staff remuneration and conditions of service. The members of the Committee as at 31 December 2019 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 provides 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 2019 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 fees, levies, penalties and subscriptions for ZSE Members, Non-Member Institutions. The Committee prescribes the general conduct of the ZSE Members and also establish members' complaints and grievance handling procedures. The members of the Committee as at 31 December 2019 were:-

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



## CORPORATE GOVERNANCE REPORT *(continued)*

### SENIOR MANAGEMENT TEAM (SMT)

The Senior Management Team (SMT) is chaired by the Chief Executive Officer (CEO) and consists of the heads of departments. The SMT conducts daily morning briefs and holds weekly meetings. Its main duty is to assist the CEO in discharging his responsibilities by ensuring that the Exchange's strategic objectives and annual business plans as approved by the Board are being implemented, controlled and monitored. The members of the SMT as at 31 December 2019 were:-

#### **Justin Bgoni - Chief Executive Officer**

Justin is a Chartered Accountant with over 19 years of international experience in the financial and public sector. Justin holds amongst other qualifications a Bachelor of Accounting Science from the University of South Africa and a Master in Applied Finance from Victoria University of Wellington in New Zealand. Some notable previous appointments include being a Management Consultant at McKinsey Incorporated and Chief Financial Officer at New Zealand Stock Exchange.

#### **Obert Ngwenya - Finance Director**

Obert is the Finance Director of the ZSE Limited and Principal Officer of the Company's Pension Fund having joined the Company in July 2012. He is a Registered Public Accountant and a Fellow of the Association of Chartered Certified Accountants. Prior to joining the ZSE Limited, Obert held senior financial and management accounting positions in three companies listed on the ZSE which had operations in financial services, insurance and hospitality sectors. Obert also serves as a Director of Chengetedzai Depository Company Limited.

#### **Lyndon Tuyani Nkomo - Head of Legal and Compliance (Company Secretary)**

Lyndon holds a Bachelor of Laws (Honours) (LLB. (Hons)) degree from the University of Zimbabwe, a Master of Laws (LLM) (Communications Laws) degree from the University of the Witwatersrand, Johannesburg, South Africa and a Master of Business Administration (MBA) degree from the University of Zimbabwe. He is a registered Legal Practitioner, Notary Public and Conveyancer. Lyndon has over two decades of legal experience in both private practice and

the corporate sector. He also chairs and sits on a number of Boards including those of Not for Profit Organisations like Deaf Zimbabwe Trust and the Marketers Association of Zimbabwe.

#### **Robert Mubaiwa - Head of Trading**

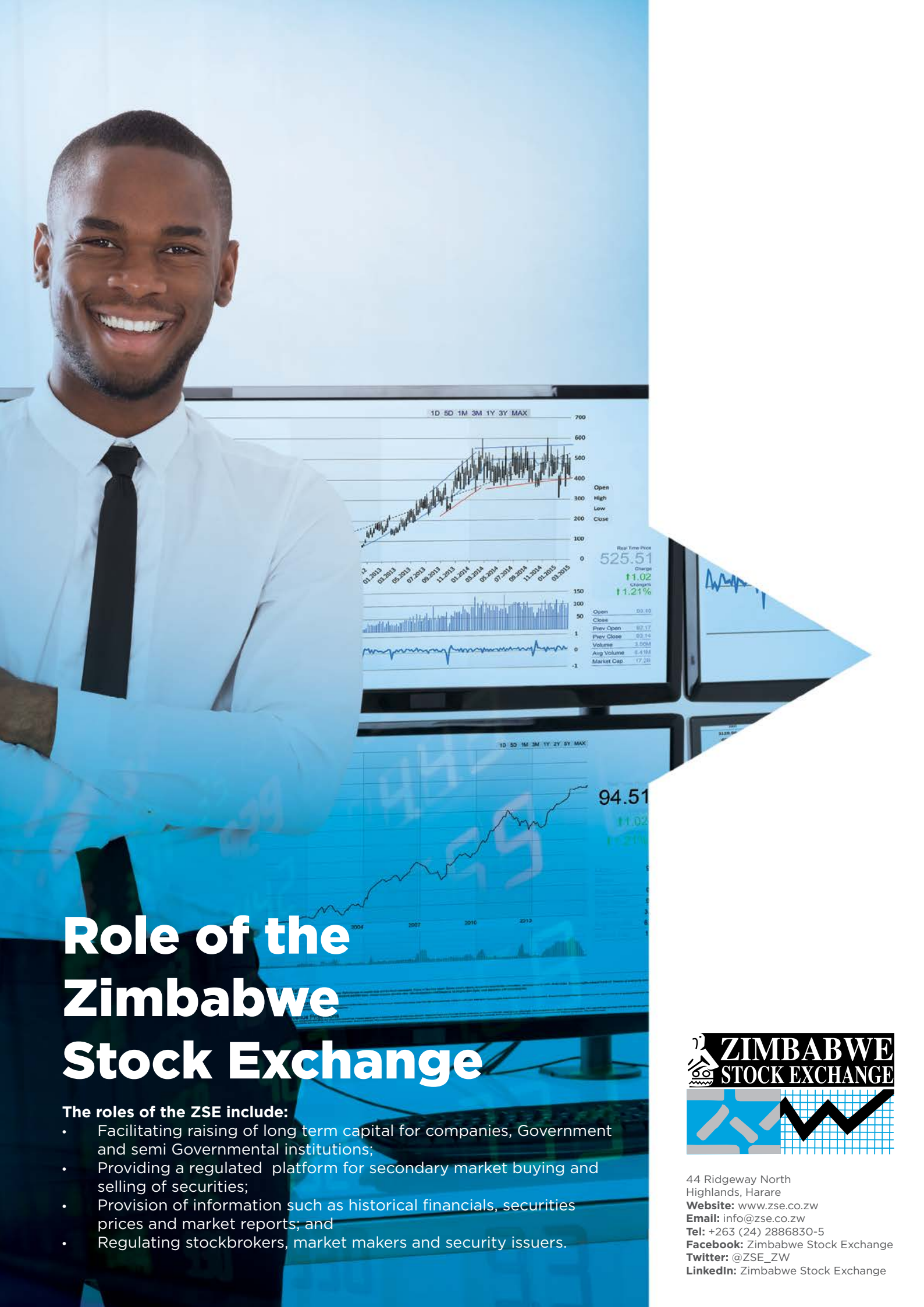
Robert holds a BSc in Applied Accounting from Oxford Brookes University, UK and is a Fellow of the Association of Chartered Certified Accountants and Public Accountants and member of Auditors Board of Zimbabwe and has over 15 years in Capital Markets and insurance. Robert joined ZSE as Trading Manager in May 2008. Robert was instrumental in the automation of the ZSE in 2015 and debt market framework and he is responsible for trading and surveillance of listed securities on the ZSE. Prior to joining ZSE he was Account Executive at Marsh Insurance Brokers Zimbabwe and Capitol Insurance Brokers. He was responsible for underwriting short term insurance business and claims management and accounting.

#### **Ezekiel Tinashe Mukanga - Head of Information Communication and Technology**

Ezekiel holds a MSc Information Systems Management and a BSc Information Systems (Hons) from the Midlands State University. Ezekiel holds numerous certifications and accreditation from internationally recognised ICT institutions namely Cisco, Oracle, IBM, VMware, Microsoft and EMC. Ezekiel was instrumental on the Automated Trading project as well as the Debt Market project. Prior to joining ZSE, Ezekiel worked as a Senior Systems Engineer with Seven Seas Technologies (Kenya) as well as a consultant with Twenty Third Century Systems and has done ICT projects in Kenya, Zambia, Ethiopia and Zimbabwe.

#### **Anymore Taruvinga - Head of Business Development**

Anymore is a CFA Charter holder and holds an MSc. Finance & Investment degree (NUST) with over ten years' experience in the Zimbabwean financial services sector. He joined the ZSE in 2014 and has been instrumental in spearheading product diversification (debt, market data services and specialist securities). Before joining the ZSE, Anymore worked in various capacities in the banking and capital markets including treasury dealing, equities and investment analysis.



# Role of the Zimbabwe Stock Exchange

## The roles of the ZSE include:

- Facilitating raising of long term capital for companies, Government and semi Governmental institutions;
- Providing a regulated platform for secondary market buying and selling of securities;
- Provision of information such as historical financials, securities prices and market reports; and
- Regulating stockbrokers, market makers and security issuers.



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**Tel:** +263 (24) 2886830-5  
**Facebook:** Zimbabwe Stock Exchange  
**Twitter:** @ZSE\_ZW  
**LinkedIn:** Zimbabwe Stock Exchange



## 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.

### **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.

## STATEMENT OF DIRECTORS' RESPONSIBILITY

### Responsibilities of Management and those charged with governance for the financial statements for the year ended 31 December 2019.

#### 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 2019, 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 Directors' 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 **Note 2**, 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 2019 because it has not been possible to comply with International Accounting Standard 21 "The Effects of Changes in Foreign Exchange rates" and International Accounting Standard 29 "Financial Reporting in Hyperinflationary Economies".

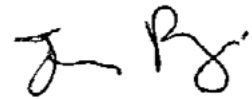
As described in **Note 26**, the Company had to be guided by SI 41/2019 which states that in the case of any inconsistency between a local pronouncement and international standard, the local pronouncement shall take precedence to the extent of the inconsistency. In compliance with SI 33/2019, the Company maintained its functional currency for the first two months to 22 February 2019 using an exchange rate of 1:1 between the RTGS FCA and Nostro FCA and changed to ZW\$ as has been prepared in the financial statements. This constitutes a departure from the requirements of IAS 21- The effects of Changes in Foreign Exchange Rates.

On the 11<sup>th</sup> of October 2019, the Public Accountants and Auditors Board (PAAB) issued a pronouncement relating to the application of IAS 29- Financial Reporting in Hyperinflationary Economies, in Zimbabwe. The PAAB advised that there is broad market consensus within the accounting and auditing professions that the factors and characteristics to apply the Financial Reporting in Hyperinflationary Economies standard (IAS29), in Zimbabwe had been met.

The Company's financial statements which are set out on pages 33 to 56, were in accordance with their responsibilities, approved by the Board of Directors on 23 June 2020 and are signed on its behalf by:

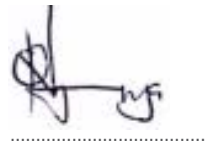


.....  
**Mrs. C. Sandura**  
Chairman



.....  
**Mr. J. Bgoni**  
Chief Executive Officer

These financial statements were prepared under the supervision of:



.....  
**Mr. O. Ngwenya**  
Registered Public Accountant (PAAB No.03735)  
Finance Director



## INDEPENDENT AUDITOR'S REPORT

**Grant Thornton**  
Camelsa Business Park  
135 Enterprise Road, Highlands  
P O Box CY2619  
Causeway, Harare  
Zimbabwe

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E [info@zw.gt.com](mailto:info@zw.gt.com)  
[www.grantthornton.co.zw](http://www.grantthornton.co.zw)

### To the members of Zimbabwe Stock Exchange Limited

Report on the Audit of the Financial Statements

#### Adverse Opinion

We have audited the financial statements of Zimbabwe Stock Exchange Limited set out on pages 33 to 56, which comprise the inflation adjusted statement of financial position as at 31 December 2019, inflation adjusted statement of profit or loss and other comprehensive income, inflation adjusted statement of changes in equity and statement of cash flows for the year then ended and notes to the financial statements including a summary of significant accounting policies.

In our opinion, because of the significance of the matters discussed in the Basis for Adverse Opinion section of our report, the inflation adjusted financial statements do not present fairly, in all material respects, the inflation adjusted financial position of Zimbabwe Stock Exchange Limited, and its inflation adjusted financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) and in the manner required by the Companies Act (Chapter 24:03).

#### Basis for Adverse Opinion

*Non-compliance with International Accounting Standard (IAS) 21 - The Effect of Changes in Foreign Exchange Rates and International Accounting Standard (IAS) 29 – Financial Reporting in Hyperinflationary Economies*

On 1 October 2018, the Reserve Bank of Zimbabwe (RBZ) issued a Monetary Policy Statement which directed banks to separate bank accounts into Real Time Gross Settlement Foreign Currency Accounts (RTGS FCAs) and Nostro FCAs. The economic environment during the year ended 31 December 2019 was characterised by 'multi-tiered' pricing, and the Company transacted predominantly in RTGS FCA (electronic payments), including mobile money, bond notes and coins.

On 20 February 2019, a Monetary Policy Statement was issued, denominating the existing RTGS balances, bond notes and coins in circulation as RTGS dollars in order to establish an exchange rate between the existing monetary balances and foreign currency. The RTGS dollars became part of the multi-currency system in Zimbabwe through the issuance of statutory instrument (S.I.) 33/2019, with an effective date of 22 February 2019. The statutory instrument provided that for accounting and other purposes, all assets and liabilities that were immediately before the effective date, valued and expressed in United States dollars shall on and after the effective date be deemed to be values in RTGS dollars at a rate of 1:1 to the United States dollar. This was not consistent with IAS 21 – The Effects of Changes in Foreign Exchange Rates which requires that an assessment be made of the change in functional currency and that financial statements be presented at a rate that approximates the market rate. The Company had to be guided by S.I. 41/2019 which states that in the case of any inconsistency between a local pronouncement issued by the Board through a notice in the Government Gazette and any international standard, the local pronouncement shall take precedence to the extent of the inconsistency.

In compliance with SI 33/2019, the Company maintained its functional currency as the USD from 1 January 2019 to 22 February 2019 using an exchange rate of 1:1 between the RTGS FCA and Nostro FCA and changed to Zimbabwe Dollar as presented in the financial statements. This constitutes a departure from the requirements of IAS 21 – The Effects of Changes in Foreign Exchange Rates. Had the financial statements been prepared in accordance with the requirements of IAS 21, many elements would have been materially affected. As a result, the impact of the Company's inability to comply with IAS 21 has been determined as significant. The effects on the financial statements of the non-compliance with IAS 21 are considered material and pervasive to the financial statements, taken as a whole.

## INDEPENDENT AUDITORS' REPORT *(continued)*

On 11 October 2019, the Public Accountants and Auditors Board (PAAB) issued a pronouncement relating to the application of IAS 29 – Financial Reporting in Hyperinflationary Economies. The PAAB advised that there is broad market consensus within the accounting and auditing professions that the factors and characteristics to apply the Financial Reporting in Hyperinflationary Economies Standard (IAS 29), in Zimbabwe had been met. The Directors have applied the IAS 29 – Financial Reporting in Hyperinflationary Economies with effect from 1 January 2019. However, as a result of the need to comply with the requirements of S.I. 33 of 2019, the changes in the general pricing power of the functional currency were applied on amounts that were not translated in terms of IAS 21 – The Effects of Changes in Foreign Exchange Rates for the period 1 January to 22 February 2019. This constitutes a departure from the requirements of IAS 29 – Financial Reporting in Hyperinflationary Economies.

Had the Company applied the requirements of IAS 21 and IAS 29, many of the elements of the financial statements would have been materially impacted and therefore the departure from the requirements of these standards is considered to be pervasive.

### Emphasis of matter - outbreak of COVID-19

We draw attention to **Note 27** to the financial statements, which describes the uncertainties relating to the possible effects of the COVID-19 pandemic on the Company. The Company is unable to presently determine the impact of the Covid-19 pandemic on its operations in the year 2020. Our opinion is not modified in respect of this matter.

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

### Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current year. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. The key audit matters noted below relate to the financial statements.

Areas of focus	How our audit addressed the key audit matter
<p><b>Revenue and receivables</b> <b>IFRS 15 Revenue from Contracts with Customers</b></p> <ul style="list-style-type: none"> <li>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.</li> </ul>	<ul style="list-style-type: none"> <li>Reviewed the revenue recognition criteria is appropriate and in line with the requirements of IFRS 15, Revenue from contracts with customers.</li> <li>Performed cut-off tests on year end balances to ensure revenue is recognised in the correct period.</li> <li>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.</li> <li>We identified key controls and tested these controls to obtain satisfaction that they were operating effectively for the year under review.</li> <li>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 the external sources (supporting documentation).</li> <li>Furthermore, we performed analytical procedures and assessed the reasonableness of explanations provided by management.</li> </ul> <p>We satisfied ourselves that the company's revenue is adequate and appropriate.</p>





## INDEPENDENT AUDITORS' REPORT *(continued)*

Areas of focus	How our audit addressed the key audit matter
<p><b>IFRS 9 Expected credit risk allowance</b></p> <p>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.</p> <p>Key areas of judgement included:</p> <ul style="list-style-type: none"> <li>The interpretation of the requirements to determine impairment under application of IFRS 9, which is reflected under the company's credit loss model;</li> <li>The identification of exposures with a significant deterioration in credit quality;</li> <li>Assumptions used in the credit loss model such as the financial condition of the counterparty, expected future cash flows and macroeconomic factors (e.g exchange rates, interest rates, gross domestic product growth, inflation).</li> </ul> <p>The need to apply additional overlays to reflect current or future external factors that are not appropriately captured by the credit loss model.</p>	<p>Our audit procedures in assessing managements allowance for credit losses included the following:</p> <ul style="list-style-type: none"> <li>We performed an assessment of the modelling techniques and methodology used against the requirements of IFRS 9, Financial Instruments.</li> <li>We assessed and tested the material modeling assumptions with a focus on the: <ul style="list-style-type: none"> <li>i. Key modeling assumptions adopted by the Company;</li> <li>ii. Basis for and data used to determine debtor's categories; and</li> <li>iii. Reliability of the historical data collected.</li> </ul> </li> <li>We examined a sample of exposures and performed procedures to evaluate the: <ul style="list-style-type: none"> <li>i. Timely identification of exposures with a significant deterioration in credit quality.</li> <li>ii. Expected loss calculation for exposures assessed on an individual basis.</li> </ul> </li> <li>We assessed the accuracy of the disclosures in the financial statements.</li> </ul> <p>Based on our audit work performed and the assumptions used by management the rates calculated were appropriate and reflected the current environment.</p>
<p><b>Valuation of unquoted financial assets held at fair value</b></p> <ul style="list-style-type: none"> <li>The valuation of the company's 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.</li> <li>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's valuations.</li> </ul> <p>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.</p>	<ul style="list-style-type: none"> <li>We assessed the design and operating effectiveness of the company's key controls supporting the identification, measurement, and oversight of valuation risk of financial assets.</li> <li>For the more judgmental valuations, which depend on unobservable inputs, we evaluated the assumptions, methodologies and models used by the company.</li> </ul>

### Other information

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

Our opinion on the financial statement 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.

## INDEPENDENT AUDITORS' REPORT *(continued)*

### 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 judgment, 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.

### Report on other legal and regulatory requirements

In our opinion, except for the possible effects of the matters described in the Basis for Adverse opinion paragraph, 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 33/99 and SI 62/96.

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



Farai Chibisa  
**Partner**  
Registered Public Auditor (PAAB No: 0547)

**Grant Thornton**  
Chartered Accountants (Zimbabwe)  
Registered Public Auditors

**26 June 2020**

HARARE



# Zimbabwe Stock Exchange Services

The ZSE facilitates the listing and trading of the following security types:

- Ordinary shares;
- Preference shares;
- Depository receipts
- Debt securities such as debentures, notes and bonds; and
- Exchange Traded Funds.

## What do we do?

- Admit companies and participants
- Provide relevant technology solutions
- Influence policies
- Train, monitor and regulate issuers and participants
- Educate the public on investments and facilitate inclusion
- Provide information and data for decision making
- Identify opportunities and proffer solutions
- Value our staff, support their development and reward their performance.



44 Ridgeway North  
Highlands, Harare

**Website:** [www.zse.co.zw](http://www.zse.co.zw)

**Email:** [info@zse.co.zw](mailto:info@zse.co.zw)

**Tel:** +263 (24) 2886830-5

**Facebook:** Zimbabwe Stock Exchange

**Twitter:** @ZSE\_ZW

**LinkedIn:** Zimbabwe Stock Exchange

## STATEMENT OF FINANCIAL POSITION

as at 31 December 2019

	Notes	INFLATION ADJUSTED		HISTORICAL COST	
		2019 ZWL	2018 ZWL	2019 ZWL	2018 ZWL
<b>ASSETS</b>					
<b>Non-current assets</b>					
Property and equipment	4	13 528 174	5 724 929	11 169 657	854 765
Intangible assets	5	1 742 155	2 269 627	186 626	365 480
Unquoted investments	6	4 011 720	2 100 007	4 011 720	405 289
		<b>19 282 049</b>	<b>10 094 563</b>	<b>15 368 003</b>	<b>1 625 534</b>
<b>Current assets</b>					
Financial assets at fair value through profit or loss	8	3 082 168	7 601 272	3 082 433	1 224 302
Trade and other receivables	9	690 861	1 788 591	690 861	288 018
Held to maturity investments	10	-	5 056 697	-	814 283
Cash and bank balances	11	536 294	786 378	536 294	126 631
Income tax refundable	20	-	-	22 691	-
		<b>4 309 323</b>	<b>15 232 938</b>	<b>4 332 279</b>	<b>2 453 234</b>
<b>Total assets</b>		<b>23 591 372</b>	<b>25 327 501</b>	<b>19 700 282</b>	<b>4 078 768</b>
<b>EQUITY AND LIABILITIES</b>					
<b>Capital and reserves</b>					
Share capital	12	6 210	6 210	1 000	1 000
Share premium	12	439 289	439 289	70 739	70 739
Non-distributable reserve	13.1	-	-	77 981	77 981
Revaluation reserve	13.2	-	-	9 091 014	-
Retained earnings		17 057 448	13 146 138	6 694 102	2 039 215
<b>Total equity</b>		<b>17 502 947</b>	<b>13 591 637</b>	<b>15 934 836</b>	<b>2 188 935</b>
<b>Non-current liabilities</b>					
Deferred tax liability	7	1 693 387	340 805	235 592	54 880
<b>Current liabilities</b>					
Trade and other payables	14	3 195 401	1 709 172	3 195 401	275 229
Short term borrowings	15	-	9 315 000	-	1 500 000
Bank overdraft	11	323 275	-	323 275	-
Short term borrowings	15	11 178	106 470	11 178	17 145
Income tax payable	20	865 184	264 417	-	42 579
		<b>4 395 038</b>	<b>11 395 059</b>	<b>3 529 854</b>	<b>1 834 953</b>
<b>Total liabilities</b>		<b>6 088 425</b>	<b>11 735 864</b>	<b>3 765 446</b>	<b>1 889 833</b>
<b>Total equity and liabilities</b>		<b>23 591 372</b>	<b>25 327 501</b>	<b>19 700 282</b>	<b>4 078 768</b>



Mrs. C. Sandura  
Chairman



Mr. J. Bgoni  
Chief Executive Officer





## STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the year ended 31 December 2019

	Notes	INFLATION ADJUSTED		HISTORICAL COST	
		2019 ZWL	2018 ZWL	2019 ZWL	2018 ZWL
<b>INCOME</b>					
Revenue	16	25 969 918	17 990 613	7 120 951	2 897 039
Fair value gain on financial instruments	8	7 676 198	112 004	2 672 152	18 036
Other income	17	819 440	62 932	371 997	10 134
<b>Total income</b>		<b>34 465 556</b>	<b>18 165 549</b>	<b>10 165 100</b>	<b>2 925 209</b>
<b>EXPENDITURE</b>					
Staff costs	18.1	6 762 807	3 837 103	2 482 434	617 891
Other operating costs	18.2	13 984 652	3 807 755	6 261 847	613 165
Depreciation and amortisation	18.3	1 500 120	2 467 270	497 590	397 306
<b>Total expenses</b>		<b>22 247 579</b>	<b>10 112 128</b>	<b>9 241 871</b>	<b>1 628 362</b>
<b>Operating profit</b>		<b>12 217 977</b>	<b>8 053 421</b>	<b>923 229</b>	<b>1 296 847</b>
Finance income	19.1	83 929	419 572	24 049	67 564
Finance costs	19.2	(814 993)	(754 200)	(193 927)	(120 000)
Monetary loss		(7 387 634)	-	-	-
<b>Profit before tax</b>		<b>4 099 279</b>	<b>7 718 793</b>	<b>753 351</b>	<b>1 244 411</b>
Income tax (expense)/credit	20	(887 875)	(2 889 116)	490 243	(465 236)
<b>Profit for the year</b>		<b>3 211 404</b>	<b>4 829 677</b>	<b>1 243 594</b>	<b>779 175</b>
<b>Other comprehensive income:</b>					
Items that will be reclassified subsequently to profit or loss:					
Fair value adjustments	6	1 911 713	466 833	3 606 431	142 298
		<b>5 123 117</b>	<b>5 296 510</b>	<b>4 850 025</b>	<b>921 473</b>
Items that will not be reclassified subsequently to profit or loss:					
Gain on property revaluation, net of tax		-	-	9 091 014	-
<b>Total comprehensive income for the year</b>		<b>5 123 117</b>	<b>5 296 510</b>	<b>13 941 039</b>	<b>921 473</b>

## STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2019

### HISTORICAL COST

	Share capital ZWL	Share premium ZWL	Revaluation reserve ZWL	Non-distributable reserve ZWL	Retained earnings ZWL	Total ZWL
Balance at 1 January 2018	1 000	70 739	-	77 981	1 117 742	1 267 462
Total comprehensive income for the year	-	-	-	-	921 473	921 473
<b>Balance at 31 December 2018</b>	<b>1 000</b>	<b>70 739</b>	<b>-</b>	<b>77 981</b>	<b>2 039 215</b>	<b>2 188 935</b>
Dividends paid	-	-	-	-	(195 138)	(195 138)
Total comprehensive income for the year	-	-	9 091 014	-	4 850 025	13 941 039
<b>Balance at 31 December 2019</b>	<b>1 000</b>	<b>70 739</b>	<b>9 091 014</b>	<b>77 981</b>	<b>6 694 102</b>	<b>15 934 836</b>

### INFLATION ADJUSTED

	Share capital ZWL	Share premium ZWL	Revaluation reserve ZWL	Non-distributable reserve ZWL	Retained earnings ZWL	Total ZWL
Balance at 1 January 2018	6 210	439 289	-	484 262	7 849 628	8 779 389
Elimination of non-distributable reserve	-	-	-	(484 262)	-	(484 262)
Total comprehensive income for the year	-	-	-	-	5 296 510	5 296 510
<b>Balance at 31 December 2018</b>	<b>6 210</b>	<b>439 289</b>	<b>-</b>	<b>-</b>	<b>13 146 138</b>	<b>13 591 637</b>
Dividends paid	-	-	-	-	(1 211 807)	(1 211 807)
Total comprehensive income for the year	-	-	-	-	5 123 117	5 123 117
<b>Balance at 31 December 2019</b>	<b>6 210</b>	<b>439 289</b>	<b>-</b>	<b>-</b>	<b>17 057 448</b>	<b>17 502 947</b>



## STATEMENT OF CASH FLOWS

for the year ended 31 December 2019

		INFLATION ADJUSTED		HISTORICAL COST	
	Notes	2019 ZWL	2018 ZWL	2019 ZWL	2018 ZWL
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>					
<b>Operating profit</b>		12 217 977	8 053 421	923 229	1 296 847
<b>Adjustments for:</b>					
Depreciation and amortisation	18.3	1 500 120	2 467 270	497 590	397 306
Profit on disposal of property, plant and equipment	17	(438 494)	(13 040)	(199 061)	(2 326)
Monetary loss		(7 387 634)	-	-	-
Fair value gain on financial instruments	8	(7 676 198)	(112 004)	(2 672 152)	(18 036)
Allowance for credit losses		16 983	269 688	16 983	43 428
Operating profit before working capital changes		(1 767 246)	10 665 335	(1 433 411)	1 717 219
Changes in working capital					
Decrease/(increase) in trade and other receivables		1 080 747	(554 162)	(419 826)	(89 237)
Increase/(decrease) in trade and other payables		1 990 730	(847 615)	2 920 172	(136 492)
Income taxes paid	20	(287 107)	(2 860 487)	(65 270)	(460 626)
Net cash flows generated from operating activities		1 017 124	6 403 070	1 001 665	1 030 864
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>					
Additions to property and equipment	4	(2 288 032)	(107 439)	(815 320)	(17 301)
Purchase of intangible assets	5	(207 086)	(383 536)	(64 800)	(61 761)
Proceeds from disposal of financial instruments		14 641 281	1 863 000	4 464 465	300 000
Proceeds from disposal of property and equipment		446 954	21 560	207 522	30 204
Purchase of financial instruments		(2 902 664)	(12 265 955)	(2 836 161)	(2 001 700)
Interest income received		83 929	353 740	24 049	56 963
Net cash flows generated/(utilised) in investing activities		9 751 316	(10 518 630)	979 755	(1 693 595)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>					
Repayment of loans		(9 315 000)	-	(1 500 000)	-
Dividend paid		(1 211 807)	-	(195 138)	-
Finance costs paid		(814 993)	(754 200)	(199 894)	(120 000)
<b>Net cash flows utilised in financing activities</b>		(11 341 800)	(745 200)	(1 895 032)	(120 000)
<b>Net (decrease)/increase in cash and cash equivalents</b>		(573 359)	(4 860 760)	86 388	(782 731)
Cash and cash equivalents at beginning of the year		786 378	5 647 138	126 631	909 362
<b>Cash and cash equivalents at end of year</b>	11	213 019	786 378	213 019	126 631

# STATEMENT OF ACCOUNTING POLICIES

## for the year ended 31 December 2019

### 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.

### 2. Significant Accounting Policies

#### 2.1 Basis of preparation

“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).”

The Company’s financial statements have been prepared based on the statutory records that are maintained under the historical basis and adjusted for the effects of applying IAS 29 “Financial Reporting in Hyperinflationary Economies refer to note 2.2(b). The financial statements are presented in Zimbabwean Dollars (ZWL) and all values are rounded to the nearest dollar, except where otherwise indicated. The principal accounting policies of the Company have been consistently applied in all material respects with those of the previous year unless otherwise stated.

#### 2.2 Changes in accounting policies

##### a) Functional and presentation currency

The financial statements are presented in Zimbabwe Dollars (“ZWL\$”), which is the Company’s functional and presentation currency.

In February 2009, the Government of Zimbabwe introduced the multi-currency system which had the US\$ as its base currency. As a result of foreign currency shortages on the market, there was an increase in the use of electronic settlement platforms namely, Real Time Gross Settlement (“RTGS”) platforms. A monetary policy measure was introduced in October 2018 directing the separation of foreign currency accounts (“FCAs”) into two categories namely: RTGS FCA and Nostro FCA at a parity rate of 1:1.

In February 2019, the Government, through another policy measure, issued a Statutory Instrument (SI 33 of 2019) which introduced the electronic RTGS dollar (ZWL) with physical denomination in the bond notes and coins at a base rate of USD1:ZWL2.5. The introduction of the currency and its addition to the multi-currency basket brought about the interbank market which was to function on a willing buyer, willing seller basis. The enacting instrument gave a legal requirement for the accounting treatment of local assets and liabilities denominated in USD to to be transferred to the ZWL at parity. The above events triggered the need for Directors to assess:

- whether there was a change in the Company’s functional currency as at 1 October 2018, and
- the appropriateness of rates of exchange used from that date onwards in accordance with IAS 21 “The Effects of Changes in Foreign Exchange Rates”.

IAS 21 requires that transactions and balances denominated in foreign currency should be presented at market exchange rates. A market rate is one which is legal, observable and accessible. From October 2018 to February 2019, the Company maintained a rate of USD1:ZWL1 as prescribed by the Government in compliance with the law (SI 33 of 2019) and as from March 2019, the Company utilised rates available from the Reserve Bank of Zimbabwe (“RBZ”) Interbank market. The rate from the RBZ is the legal rate and management believes it is observable. However, the rate is not accessible to the market.

Consequently, the Company has not fully complied with the requirements of IAS21. However, for expediency, the Company chose to comply with the law as the Government issued SI 41 of 2019 which directs entities to give precedence to the law over reporting standards in circumstances where there are inconsistencies between the two.





## STATEMENT OF ACCOUNTING POLICIES

### for the year ended 31 December 2019

## 2. Significant Accounting Policies (continued)

### 2.2 Changes in accounting policies (continued)

#### a) Functional and presentation currency (continued)

While the Company prepares its Financial Statements to comply with International Financial Reporting Standards, full compliance with certain International Financial Reporting Standards was not possible due to the above factors. For the avoidance of doubt, the Company did not fully comply with the requirements of IAS 21 to the extent described above and instead, complied with the requirements of the law.

#### b) 'IAS 29 'Financial Reporting in Hyper-Inflationary Economies'

The Public Accountants and Auditors Board issued pronouncement 01/2019 on the application of International Accounting Standard ("IAS") 29 "Financial reporting in Hyperinflationary economies" in Zimbabwe. The pronouncement requires that companies that prepare and present financial statements for financial periods ended on and after 01 July 2019 to apply requirements of IAS 29. Appropriate adjustments and reclassifications, including restatements for changes and general purchasing power of the Zimbabwe dollar and for purposes of fair presentation in accordance with IAS29 have been made in these financial statements to the historical cost financial information.

The Consumer Price Indices (CPIs) were obtained from the Reserve Bank of Zimbabwe website, as supplied by the Zimbabwe Central Statistical Office. The Consumer Price Indices adopted are as follows:-

Month	Index	Month	Index
Prior Year	6.21	July	2.64
January	5.60	August	2.23
February	5.51	September	1.89
March	5.28	October	1.36
April	5.00	November	1.16
May	4.45	December	1.00
June	3.19		

#### c) IFRS 16 'Leases'

IFRS 16 'Leases' replaces IAS 17 'Leases' along with three Interpretations (IFRIC 4 'Determining whether an Arrangement contains a Lease', SIC 15 'Operating Leases-Incentives' and SIC 27 'Evaluating the Substance of Transactions Involving the Legal Form of a Lease'). The new Standard has been applied using the modified retrospective approach, with the cumulative effect of adopting IFRS 16 being recognised in equity as an adjustment to the opening balance of retained earnings for the current period. Prior periods have not been restated. The company does not have transactions affected by this standard.

'The standard includes two recognition exemptions for lessees - leases of 'low-value' assets (e.g., personal computers) and short-term leases (i.e., leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). Lessees are required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

### 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.

## STATEMENT OF ACCOUNTING POLICIES

for the year ended 31 December 2019

### 2. Significant Accounting Policies (continued)

#### 2.3 Property and equipment (continued)

Recognition and measurement (continued)

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.

#### 2.4 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.



## STATEMENT OF ACCOUNTING POLICIES

for the year ended 31 December 2019

### 2. Significant Accounting Policies (continued)

#### 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 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 represents sales (excluding VAT) of goods and services net of discounts provided in the normal course of business and is recognised when services have been rendered. Revenue is derived from hotel operations and includes ZSE Levy and Annual listing fees.

To determine whether to recognise revenues, the Company follows a 5 step process:

1. Identifying the contract with the customer
2. Identifying the performance obligations
3. Determining the transaction price
4. Allocating the transactional price to the performance obligations
5. Recognising revenues when/as performance obligation(s) are satisfied.

The total transaction price for a contract is allocated amongst the various performance obligations based on their relative stand-alone selling prices. The transaction price for a contract excludes any amounts collected on behalf of third parties. Revenue is recognised either at a point in time or over time, when (or as) the Company satisfies performance obligations by transferring the promised goods or services to its customers.

The Company recognises contract liabilities for consideration received in respect of unsatisfied performance obligations and reports these amounts as other liabilities in the statement of financial position. Similarly, if the Company satisfies a performance obligation before it receives the consideration, the Company recognises either a contract asset or a receivable in its statement of financial position, depending on whether something other than the passage of time is required before the consideration is due.

#### Other income

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

#### 2.10 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.

## STATEMENT OF ACCOUNTING POLICIES

for the year ended 31 December 2019

### 2. Significant Accounting Policies (continued)

#### 2.10 Financial instruments (continued)

##### (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, in its 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 transactions 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) Amortised 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 difference 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.

##### (iii) Classification

##### (a) Held-to-maturity investments

Held-to-maturity investments are non-derivative assets with fixed determinable payments and fixed maturities that the Company has the positive intent and ability to hold to maturity, and which were not designated as at fair value through profit or loss or as available for sale.

Subsequent to initial recognition, held-to-maturity investments are carried at amortised cost, using the effective rate method. A sale or reclassification of more than insignificant amount of held-to-maturity investments would result in the reclassification of all held-to-maturity investments to available-for sale financial instruments, and would prevent the Company from classifying investment securities as held-to-maturity for the current and the following two financial years. However, sales and reclassifications in any of the following circumstances would not trigger a reclassification:

- Sales or reclassifications that are so close to maturity that changes in the market rate of interest would not have a significant effect on the financial asset's fair value;
- Sales or reclassifications after the Company has collected substantially all of the asset's original principal through the scheduled payments; and
- Sales or reclassifications attributable to non-recurring isolated events beyond the Company's control that could not have been reasonably anticipated
- Sales and reclassifications attributable to non-recurring isolated events beyond the Company's control that could not have been reasonably anticipated.

The Company classifies and measures investment in Reserve Bank of Zimbabwe ("RBZ") 7% Savings Bonds as Held-to-maturity investment.





## STATEMENT OF ACCOUNTING POLICIES

for the year ended 31 December 2019

### 2. Significant Accounting Policies (continued)

#### 2.10 Financial instruments (continued)

##### (iii) Classification (continued)

###### (b) Financial assets and liabilities held for trading

This category has two sub-categories; financial assets held for trading, and those designated at fair value through profit or loss at inception.

Trading assets and liabilities are those assets and liabilities that the Company acquires or incurs principally for the purpose of selling or repurchasing in the near term, or holds a part of a portfolio that is managed together for short-term profit or position taking.

Financial assets and liabilities are designated at fair value through profit or loss when:

- The assets or liabilities are managed, evaluated and reported internally on a fair value basis;
- The designation eliminates or significantly reduces accounting mismatch which would otherwise arise from measuring such financial instrument on different bases.

Subsequent to initial recognition, the fair values are re-measured at each reporting date. All gains and losses arising from changes therein are recognised in the profit or loss and described as 'net trading income' for trading assets, and in 'net income from other financial instruments carried at fair value' for financial assets designated at fair value through profit or loss at inception.

Interest earned and dividends received while holding trading assets at fair value through profit or loss are included in net trading income. Trading assets are not reclassified subsequent to their initial recognition except for assets that are subsequently qualify as loans and receivables and which the Company has the intention and ability to hold for the foreseeable future or until maturity.

Reclassification from held for trading are made when the Company no longer actively trade in the investments initially classified as held for trading. Such investments are reclassified as available for sale.

###### (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 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

## STATEMENT OF ACCOUNTING POLICIES

for the year ended 31 December 2019

### 2. Significant Accounting Policies (continued)

#### 2.10 Financial instruments (continued)

##### (iii) Classification(continued)

##### (d) Loans and receivables (continued)

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 insignificant risk of changes in their 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. Other 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 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.

##### (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 recipients 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 retains 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).



## STATEMENT OF ACCOUNTING POLICIES

for the year ended 31 December 2019

### 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 4.2 and no changes to those useful lives have been considered necessary during the year. Residual values will be reassessed each year and where there are any changes adjustments for depreciation will be done in future periods. The carrying amount of the Company's property and equipment is ZWL 11 169 657 (December 2018 ZWL 854 765).

#### **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 monthly 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 2019 was ZWL 81 749 (December 2018: ZWL 64 766)

#### **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.

#### **3.3 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.

## NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2019

### 4. Property and Equipment

HISTORICAL COST	Land and buildings ZWL	Automated Trading System Hardware ZWL	Equipment (including furniture and fittings) ZWL	Vehicles ZWL	Total ZWL
Net carrying amount at 1 January 2018	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	-	-	(6713)	(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)
Additions	-	-	212 157	603 163	815 320
Revaluation	9 761 969	-	-	-	9 761 969
Disposals	-	-	(6 079)	(2 382)	(8 461)
Gross carrying amount - cost/valuation	-	-	(33 030)	(41 150)	(74 180)
Accumulated depreciation	-	-	26 951	38 768	65 719
Depreciation charge for the year	(14 990)	(118 345)	(47 984)	(72 618)	(253 937)
Net carrying amount at 31 December 2019	10 339 320	59 173	222 241	548 922	11 169 657
Gross carrying amount - cost/valuation	10 721 468	591 728	307 894	650 391	12 271 481
Accumulated depreciation	( 382 148)	( 532 555)	( 85 653)	( 101 469)	( 1 101 825)
<b>INFLATION ADJUSTED</b>					
Net carrying amount at 1 January 2019	4 095 276	1 102 387	398 353	128 913	5 724 929
Gross carrying amount - cost/valuation	5 958 489	3 674 631	799 643	548 827	10 981 590
Accumulated depreciation	(1 863 213)	(2 572 244)	(401 290)	(419 914)	(5 256 661)
Additions	-	-	757 600	1 530 432	2 288 032
Revaluation	8 107 257	-	-	-	8 107 257
Disposals	-	-	(6 078)	(2 382)	(8 460)
Gross carrying amount - cost/valuation	-	-	(33 030)	(41 150)	(74 180)
Accumulated depreciation	-	-	26 952	38 768	65 720
Depreciation charge for the year	(45 191)	(356 785)	(189 660)	(173 926)	(765 562)
<b>Net carrying amount at 31 December 2019</b>	<b>10 339 320</b>	<b>745 602</b>	<b>960 215</b>	<b>1 483 037</b>	<b>13 528 174</b>
Gross carrying amount - cost/valuation	12 247 724	3 674 631	1 524 213	2 038 109	19 484 677
Accumulated depreciation	(1908 404)	(2 929 029)	(563 998)	(555 072)	(5 956 503)





**NOTES TO THE FINANCIAL STATEMENTS**  
for the year ended 31 December 2019 *(continued)*

	INFLATION ADJUSTED		HISTORICAL COST	
	2019 ZWL	2018 ZWL	2019 ZWL	2018 ZWL
<b>5. Intangible Assets</b>				
<b>Net carrying amount at 1 January</b>	<b>2 269 627</b>	<b>2 127 615</b>	<b>365 480</b>	<b>545 242</b>
Gross carrying amount - Cost	7 155 441	6 771 906	1 152 245	1 090 484
Accumulated amortisation	(4 885 814)	(4644 291)	(786 765)	(545 242)
Additions	207 086	383 536	64 800	61 761
Amortisation charge for the year	(734 558)	(241 523)	(243 653)	(241 523)
<b>Net carrying amount at the end of the year</b>	<b>1 742 155</b>	<b>2 269 627</b>	<b>186 626</b>	<b>365 480</b>
Gross carrying amount - Cost	7 362 527	7 155 441	1 217 044	1 152 245
Accumulated amortisation	(5 620 372)	(4 885 814)	(1 030 418)	(786 765)
<b>6. Unquoted Investments</b>				
Balance at the beginning of the year	2 100 007	1 633 174	405 289	262 991
Fair value adjustments through other comprehensive income	1 911 713	466 833	3 606 431	142 298
<b>Balance at the end of the year</b>	<b>4 011 720</b>	<b>2 100 007</b>	<b>4 011 720</b>	<b>405 289</b>
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 ZWL4 011 720.				
<b>7. Deferred Tax</b>				
<b>Analysis of deferred tax:</b>				
Property and equipment	(1 681 725)	(322 097)	(714 174)	(51 867)
Investment in unquoted equities	-	(176 734)	-	(28 460)
Leave pay provision	(11 662)	54 460	(11 661)	8 770
Allowance for credit losses	-	103 566	-	16 677
Assessed loss	-	-	490 243	-
Other payroll provisions	-	-	-	-
	(1 693 387)	( 340 805)	(235 592)	( 54 880)
<b>Deferred tax reconciliation</b>				
Balance at beginning of the year	(340 805)	393 236	(54 880)	63 323
Recognised in statement of profit or loss	(1 352 582)	(734 041)	(180 712)	(118 203)
<b>Balance at the end of the year</b>	<b>(1 693 387)</b>	<b>(340 805)</b>	<b>(235 592)</b>	<b>(54 880)</b>
<b>8. Financial Assets at Fair Value Through Profit or Loss</b>				
Opening balance	7 601 272	37 268	1 224 302	6 266
Purchase of financial instruments	2 445 979	7 452 000	2 445 979	1 200 000
Withdrawal or disinvestment	(14 641 281)	-	(3 260 000)	-
Fair value adjustments through profit or loss	7 676 198	112 004	2 672 152	18 036
<b>Closing balance</b>	<b>3 082 168</b>	<b>7 601 272</b>	<b>3 082 433</b>	<b>1 224 302</b>

**NOTES TO THE FINANCIAL STATEMENTS**  
for the year ended 31 December 2019 *(continued)*

	INFLATION ADJUSTED		HISTORICAL COST	
	2019 ZWL	2018 ZWL	2019 ZWL	2018 ZWL
<b>9. Trade and other Receivables</b>				
Trade receivables	318 645	1 815 574	318 645	292 363
Allowance for credit losses	(81 749)	(402 197)	(81 749)	(64 766)
Net trade receivables	236 896	1 413 377	236 896	227 597
Other receivables	453 965	375 214	453 965	60 421
<b>Balance at the end of the year</b>	<b>690 861</b>	<b>1 788 591</b>	<b>690 861</b>	<b>288 018</b>
Trade and other receivables are non-interest bearing and are generally settled between 30 days and 60 days.				
<b>10. Held to Maturity Investments</b>				
Balance at the beginning of the year	5 056 697	1 875 314	814 283	301 983
Purchase of additional instruments	468 218	4 978 557	390 182	801 700
Maturity or termination	(5 524 915)	(1 863 000)	(1 204 465)	(300 000)
Interest accrued at the end of the year	-	65 826	-	10 600
<b>Closing balance</b>	<b>-</b>	<b>5 056 697</b>	<b>-</b>	<b>814 283</b>
<b>11. Cash and Cash Equivalents</b>				
Cash at bank	536 294	164 776	536 294	26 534
Short-term deposits	-	621 602	-	100 097
<b>Cash and bank balances</b>	<b>536 294</b>	<b>786 378</b>	<b>536 294</b>	<b>126 631</b>
Bank overdraft	(323 275)	-	(323 275)	-
<b>Cash and cash equivalents</b>	<b>213 019</b>	<b>786 378</b>	<b>213 019</b>	<b>126 631</b>
Cash at bank earns interest at floating rates based on daily bank deposit rates.				
<b>12. Share Capital and Premium</b>				
<b>Authorised share capital</b>				
6 000 000 ordinary shares of \$0.10 each	372 600	372 600	60 000	60 000
<b>Issued share capital</b>				
100 037 ordinary shares of \$0.10 each	6 210	6 210	1 000	1 000
Share premium	439 289	439 289	70 739	70 739
<b>Balance at the end of the year</b>	<b>445 499</b>	<b>445 499</b>	<b>71 739</b>	<b>71 739</b>



**NOTES TO THE FINANCIAL STATEMENTS**  
for the year ended 31 December 2019 *(continued)*

	INFLATION ADJUSTED		HISTORICAL COST	
	2019 ZWL	2018 ZWL	2019 ZWL	2018 ZWL
<b>13. Reserves</b>				
<b>13.1 Non Distributable Reserves</b>				
Non Distributable Reserves	-	-	77 981	77 981
<p>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.</p>				
<b>13.2 Revaluation reserve</b>				
Opening balance	-	-	-	-
Movement during the year	-	-	9 091 014	-
<b>Closing balance</b>	-	-	9 091 014	-
<b>14. Trade and other Payables</b>				
Trade creditors	508 368	1 333 157	508 368	214 679
Payroll liabilities	59 058	158 479	59 058	25 520
Accruals and other payables	2 627 975	217 536	2 627 975	35 030
	<b>3 195 401</b>	<b>1 709 172</b>	<b>3 195 401</b>	<b>275 229</b>

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

### 15. Short-term Borrowings

	Balance 2019 ZWL	Balance 2018 ZWL	Balance 2019 ZWL	Balance 2018 ZWL
	<b>15.1 Short term borrowings</b>			
Investor Protection Fund	-	9 315 000	-	1 500 000
<p>The loan was classified as short term borrowings at 31 December 2018 and was redeemed on 9 November 2019.</p>				
<b>15.2 Interest on short term borrowings</b>				
Investor Protection Fund	11 178	106 470	11 178	17 145

The short term borrowings relate to the interest payable at 8% per annum on the Investor Protection Fund

**NOTES TO THE FINANCIAL STATEMENTS**  
for the year ended 31 December 2019 *(continued)*

	INFLATION ADJUSTED		HISTORICAL COST	
	2019 ZWL	2018 ZWL	2019 ZWL	2018 ZWL
<b>16. Revenue</b>				
ZSE levy	14 797 175	11 510 974	4 057 386	1 853 619
Annual listing fees	7 506 948	5 209 078	2 058 405	838 821
Initial listing fees	-	222 753	-	35 870
Space advertising	37 521	-	10 288	-
Automated trading system market access fees	829 571	-	227 468	-
Corporate action and document review fees	464 533	229 087	127 375	36 890
Members subscription fees	338 585	217 971	92 840	35 100
Non-Member Institution subscription fees	438 659	437 619	120 280	70 470
Data vending	1 208 170	132 677	331 280	21 365
Training services	348 756	30 454	95 629	4 904
	<b>25 969 918</b>	<b>17 990 613</b>	<b>7 120 951</b>	<b>2 897 039</b>
<b>17. Other Income</b>				
Venue hire	-	5 606	-	1 000
Miscellaneous income	107 299	493	48 710	88
Profit on disposal of assets	438 494	13 040	199 061	2 326
Dividend received	273 647	43 793	124 226	6 720
	<b>819 440</b>	<b>62 932</b>	<b>371 997</b>	<b>10 134</b>
<b>18. Operating Profit</b>				
Operating profit is stated after taking into account of the following items:				
<b>18.1 Staff costs</b>				
Salaries and allowances	5 569 702	3 433 900	2 044 479	552 963
Staff bonus	168 547	280 158	61 869	45 114
Other staff costs	373 562	(772 847)	137 124	(124 452)
Employer pension contribution	201 264	385 393	73 878	62 060
Leave pay expenses	67 052	136 061	24 613	21 910
Medical aid	318 676	266 918	116 977	42 982
Social security costs	45 574	76 184	16 729	12 268
Pension fund administration fees	18 430	31 336	6 765	5 046
	<b>6 762 807</b>	<b>3 837 103</b>	<b>2 482 434</b>	<b>617 891</b>



**NOTES TO THE FINANCIAL STATEMENTS**  
for the year ended 31 December 2019 *(continued)*

	INFLATION ADJUSTED		HISTORICAL COST	
	2019 ZWL	2018 ZWL	2019 ZWL	2018 ZWL
<b>18. Operating Profit (continued)</b>				
<b>18.2 Other operating costs</b>				
Computer maintenance and systems support	408 140	171 328	182 752	27 589
Annual General Meeting	20 747	7 917	9 290	1 275
Annual Report	29 217	36 229	13 082	5 834
ATS Escrow Fees	( 5 663)	15 749	( 2 536)	2 536
Audit fees	87 991	160 796	39 399	25 893
Bank charges	388 584	60 529	173 994	9 747
Board sitting fees	947 146	565 421	424 099	91 050
Brand or ZSE visibility expenses/marketing costs	3 813 793	118 170	1 707 685	19 029
Teas/cleaning and general office expenses	378 969	41 179	169 689	6 631
Consultancy and professional fees	494 682	87 685	221 502	14 120
Entertainment and gifts	333 566	25 567	149 359	4 117
Insurance	212 668	123 709	95 225	19 921
Investor education and promotion	-	37 446	-	6 030
Legal fees	264 638	70 962	118 496	11 427
Management fees - sinking fund agent	20 502	33 534	9 180	5 400
Motor vehicle - fuel & oil	81 347	44 724	36 424	7 202
Printing/stationery	271 112	82 307	121 394	13 254
Allowance for credit losses	37 929	269 688	16 983	43 428
Recruitment expenses	186 378	4 440	83 454	715
Premises costs	750 101	157 523	335 870	25 366
Security service	11 321	20 642	5 069	3 324
Staff training/professional development	218 973	170 347	98 049	27 431
Staff protective clothing	5 775	1 130	2 586	182
Staff welfare	7 122	27 336	3 189	4 402
Statutory levies	195 812	201 732	87 678	32 485
Subscription, membership/publications fees	412 310	93 678	184 618	15 085
Telephone and other communication expenses	111 323	63 559	49 847	10 235
Travelling and Conferences	13 629	56 610	6 102	9 116
Moto vehicle service and other expenses	99 623	33 056	44 608	5 323
Website support services	78 992	101 130	35 372	16 285
Software licencing costs	4 107 925	923 632	1 839 388	148 733
	<b>13 984 652</b>	<b>3 807 755</b>	<b>6 261 847</b>	<b>613 165</b>
<b>18.3 Depreciation and amortisation</b>				
Buildings	45 191	93 088	14 990	14 990
Automated trading system - Hardware Equipment	356 785	734 929	118 345	118 346
Equipment ( including furniture and fittings)	189 660	67 968	47 984	10 945
Vehicles	173 926	71 427	72 618	11 502
Automated trading system - Software licence	734 558	1 499 858	243 653	241 523
	<b>1 500 120</b>	<b>2 467 270</b>	<b>497 590</b>	<b>397 306</b>



**NOTES TO THE FINANCIAL STATEMENTS**  
for the year ended 31 December 2019 *(continued)*

	INFLATION ADJUSTED		HISTORICAL COST	
	2019 ZWL	2018 ZWL	2019 ZWL	2018 ZWL
<b>19. Finance Costs and Interest Income</b>				
<b>19.1 Finance income</b>				
Interest on short-term fixed deposits	57 458	415 132	16 464	66 849
Interest on staff loans and advances	26 471	4 440	7 585	715
	<b>83 929</b>	<b>419 572</b>	<b>24 049</b>	<b>67 564</b>
<b>19.2 Finance costs</b>				
Interest paid - long term borrowings	<b>814 993</b>	<b>754 200</b>	<b>193 927</b>	<b>120 000</b>
The loan is charged an interest of 8% per annum and was redeemed on 17 December 2019. The company during the year obtained an overdraft facility capped at ZWL 1 500 000 with FBC Bank Zimbabwe Limited and utilised only ZWL 323 275 as at 31 December 2019.				
<b>20. Income Tax Expense/Credit</b>				
Current tax	2 240 457	2 155 075	(309 531)	347 033
Deferred tax	(1 352 582)	734 041	(180 712)	118 203
	<b>887 875</b>	<b>2 889 116</b>	<b>(490 243)</b>	<b>465 236</b>
<b>Tax rate reconciliation</b>				
<b>Profit before tax</b>	<b>4 099 279</b>	<b>7 718 793</b>	<b>753 351</b>	<b>1 244 411</b>
Income tax charge at 25.75%	1 055 564	1 987 589	193 988	320 436
<b>Tax effect of:</b>				
Non-deductible expenses	1 329 417	901 527	202 771	144 800
Non-taxable items	(1 350 648)	-	(858 331)	-
Change in tax rate	(146 458)	-	(28 671)	-
	<b>887 875</b>	<b>2 889 116</b>	<b>(490 243)</b>	<b>465 236</b>
<b>Income tax payable/(refundable)</b>				
Balance at beginning of year	264 416	1 179 438	42 579	156 172
Charge to profit or loss	887 875	1 945 466	-	347 033
Taxes paid	(287 107)	(2 860 487)	(65 270)	(460 626)
<b>Balance at the end of the year</b>	<b>865 184</b>	<b>264 417</b>	<b>(22 691)</b>	<b>42 579</b>



**NOTES TO THE FINANCIAL STATEMENTS**  
for the year ended 31 December 2019 *(continued)*

		INFLATION ADJUSTED		HISTORICAL COST	
		2019 ZWL	2018 ZWL	2019 ZWL	2018 ZWL

## 21 Related Party Information

### 21.1 Related parties

Justin Bgoni  
Bartholomew Mswaka  
Martin Matanda  
Obert Ngwenya  
Lina F. Mushanguri  
Lyndon T. Nkomo

### 21.2 Transactions with related parties

Entity	Nature of Transaction	Value of Transactions	
Bartholomew Mswaka	Board fees	81 388	13 450

### 21.3 Key management personnel compensation

Salaries and other short term employee benefits	2 859 830	1 666 416	571 966	277 736
Pension contributions	90 530	183 912	18 106	30 652
	<b>2 950 360</b>	<b>1 850 328</b>	<b>590 072</b>	<b>308 388</b>

Key management personnel are those persons having authority and responsibility for 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 practice 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 management 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 management 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 Committee.

The Company is exposed to the following principal risks arising from financial instruments:

- Credit Risk; and
- Liquidity risk.

**NOTES TO THE FINANCIAL STATEMENTS**  
for the year ended 31 December 2019 *(continued)*

## 22. Financial Risk Management (continued)

### (i) Risk management framework (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 thresholds. The Company establishes an allowance for impairment that represents its estimate of incurred losses in respect of trade and other receivables.

#### Cash and cash equivalents

The Company held cash and cash equivalents of ZWL 237 221 at 31 December 2019 (2017 : ZWL 126 631) 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 another financial 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 marketable securities.

A maturity analysis of financial instruments as at 31 December 2019 is as follows:

Description	Up to 3 months ZWL	3 months to 1 year ZWL	1 year to 5 years ZWL	Total ZWL
Cash and cash equivalents	536 294	-	-	536 294
Trade and other receivables	690 861	-	-	690 861
Financial assets at fair value through profit or loss	-	3 082 168	-	3 082 168
<b>Total Assets</b>	<b>1 227 155</b>	<b>3 082 168</b>	<b>-</b>	<b>4 309 323</b>
<b>Liabilities</b>				
Interest bearing loans and borrowings	11 178	-	-	11 178
Trade and other payables	-	3 195 401	-	3 195 401
<b>Total Liabilities</b>	<b>11 178</b>	<b>3 195 401</b>	<b>-</b>	<b>3 206 579</b>
<b>Liquidity surplus</b>	<b>1 215 977</b>	<b>(113 233)</b>	<b>-</b>	<b>1 102 744</b>
<b>Cumulative liquidity surplus</b>	<b>1 215 977</b>	<b>1 102 744</b>	<b>1 102 744</b>	<b>1 102 744</b>

#### (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.



**NOTES TO THE FINANCIAL STATEMENTS**  
for the year ended 31 December 2019 *(continued)*

## 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.

### (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 2019. 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 ZWL	Level 2 ZWL	Level 3 ZWL	Total ZWL
At fair value through profit or loss 2019	-	3 082 433	-	3 082 433
At fair value through profit or loss 2018	-	1 224 302	-	1 224 302
Unquoted equities 2018 (At fairvalue through other comprehensive income)	-	-	4 011 720	4 011 720
Unquoted equities 2018 (At fairvalue through other comprehensive income)	-	-	405 289	405 289

**NOTES TO THE FINANCIAL STATEMENTS**  
for the year ended 31 December 2019 *(continued)*

## 24. Commitments and Contingencies

### 24.1 Litigation Claim Contingency

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

### 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

	2019 ZWL	2018 ZWL
Authorised but not yet contracted for	-	245 288
	<b>-</b>	<b>245 288</b>

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 ZWL 700. The company's contributions during the year amounted to Historical cost, ZWL 16 729 (2018: ZWL 12 268), Inflation adjusted ZWL 100 374 (2018: ZWL 76 062).

## 26 Fair value determination for assets, transactions and liabilities.

The determination of fair values presented in the financial statements is affected by the prevailing economic environment. During the course of the year the Company traded in both USD and in ZWL. The official rate between the US dollar and ZWL\$ balances was pegged officially at 1:1 for the two months (January & February of 2019). On 20 February 2019, the government of Zimbabwe promulgated SI 33 of 2019 which prescribed the interbank market rate. Transactions done for the period January and February 2019 were not restated as they were translated at the prevailing exchange rate between the USD and the RTG\$ of 1:1. On 24 June 2019, the government of Zimbabwe promulgated S I 142 of 2019 which reintroduced the ZWL\$ as the sole currency of reference. The Company had to be guided by SI 41/2019 which states that in the case of any inconsistency between a local pronouncement and any international standard, the local pronouncement shall take precedence to the extent of the inconsistency.





**NOTES TO THE FINANCIAL STATEMENTS**  
for the year ended 31 December 2019 (*continued*)

## 27 Events after the reporting period

Since 31 December 2019, the spread of COVID-19 has severely impacted many local economies around the globe. In many countries, businesses are being forced to cease or limit operations for long or indefinite periods of time. Measures taken to contain the spread of the virus, including travel bans, quarantines, social distancing, and closures of non-essential services have triggered significant disruptions to businesses worldwide, resulting in an economic slowdown. Global stock markets have also experienced great volatility and a significant weakening. Governments and central banks have responded with monetary and fiscal interventions to stabilise economic conditions.

The Company has determined that these events are non-adjusting subsequent events. Accordingly, the financial position and results of operations as of and for the year ended 31 December 2019 have not been adjusted to reflect their impact. The duration and impact of the COVID-19 pandemic, as well as the effectiveness of government and central bank responses, remains unclear at this time. It is not possible to reliably estimate the duration and severity of these consequences, as well as their impact on the financial position and results of the Company for future periods.

### **27.2 Approval of financial statements**

The financial statements were approved by the Board of Directors for issue on 23 June 2020.









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# ZSE Online Investor Information

Information available on the ZSE Website for Investors includes:

- Market data which include
- Market statistics
- Top Gainers and Losers
- ZSE Market cap and Sector Indices
- Market activity (Market capitalisation, turnover, Foreign buys, Foreign Sells, Trades)
- Market commentary
- Price sheet
- Rules and Regulations
- Details of Listed Securities
- Contact details of Stockbrokers
- Corporate announcements and Notices
- Information about the ZSE and its operations



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