GetBucks Microfinance Bank

GetBucks Microfinance Bank Limited

Incorporated in Zimbabwe on 17 January 2012 and converted to a public company limited by shares on 4 November 2015
(Registration number 322/2012)

AUDITED FINANCIAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2020

The Board of Directors (the "Board") of GetBucks Microfinance Bank Limited (the "Microfinance Bank") present the audited financial results of the Microfinance Bank for the year ended 31 December 2020.

Financial Highlights of the Microfinance Bank

The inflation adjusted audited full year financial results (the "Financial Results") when compared to the six months ended 31 December 2019 ("Comparative Period"), are set out below:

- Revenue for the year increased by 12% to ZWL119million compared to ZWL107million for the Comparative Period;
- Loss for the year increased by 159% to ZWL$44.8 million compared to ZWL$17.3 million for the Comparative Period;
- Headline earnings per share decreased by 264% to a headline loss of 3.23 cents per share compared to the headline earnings per share of 1.97 cents for the Comparative Period;
- Earnings per share decreased by 158% to a loss of 3.85 cents per share compared to the loss per share of 1.49 cents per share for the Comparative Period; and
- Net assets decreased by 20% to ZWL176million compared to ZWL220million for the Comparative Period.

No dividends were declared or paid during the Comparative Period and the period under review.

This short announcement should be read in conjunction with the complete set of financial statements for the year ended 31 December 2020 (the "Financial Statements") which were audited by Grant Thornton Chartered Accountants (Zimbabwe) (the "Auditors") in accordance with International Standards on Auditing (ISAs). The Auditors issued an adverse audit opinion (the "Audit Opinion") on the financial statements with respect to 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. The adverse opinion is industry wide and relates to accounting for comparatives and transactions for the period andthe extent to which fair values for assets, transactions and liabilities presented in the Financial Statements were affected by the prevailing economic environment.

The Auditors included a section on key audit matters in the Audit Opinion. The key audit matters were with respect to the recognition of revenue and loan advances.The Auditors also included an emphasis of matter paragraph relating to the impact of Covid-19 without further modifying the Audit Opinion.

This short form announcement is the responsibility of the Board and does not contain full or complete details. Any investment decisions by investors and/or shareholders should be based as a whole on consideration of the audited financial results for the full year ended 31 December 2020 which may be downloaded from the Company's website at: http://www.getbuckszw.com and may also be viewed, at no cost, at the Zimbabwe Stock Exchange website.

By Order of the Board of Directors

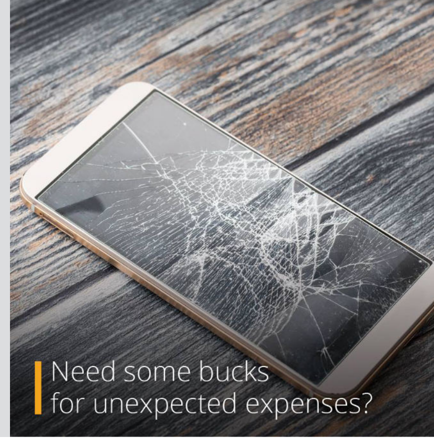
Gerard Mugani
Interim Chief Finance Officer

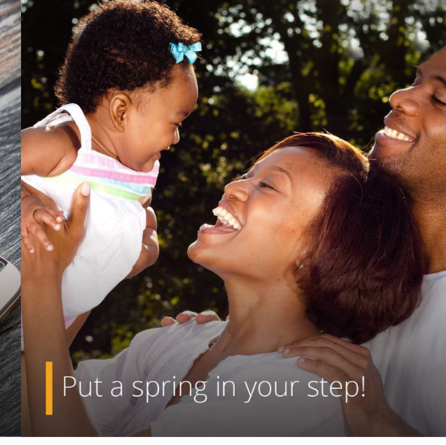
13 April 2021

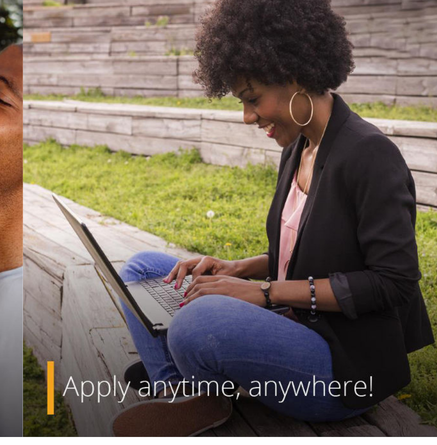
GetBucks

Microfinance Bank

GetBucks Microfinance Bank Limited







FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

SCHOOL FEES LOANS | CONSUMER LOANS | SME BANKING PRODUCTS | HOME PLAN LOANS | maROUNDS | SAVINGS ACCOUNT | MONEY MARKET | OTHER SERVICES

Chairman's Statement

Dear Shareholders,

The past year was a challenging one due to the impact of hyperinflation and the COVID-19 pandemic. The market continued to suffer from inadequate foreign currency although this problem was partially addressed by the introduction of the Foreign Exchange Auction Trading System by the Reserve Bank of Zimbabwe ("RBZ"). The hyperinflationary environment significantly increased the cost of doing business with particular pressure being felt by employers in relation to staff wages. The annual inflation rate closed at 348.6% in December 2020 which was lower compared to the rate of 521% in December 2019. Despite these challenges though, GetBucks Microfinance Bank Limited ("the Microfinance Bank") will continue to explore ways to preserve value and improve performance.

Operational Results

The primary reporting numbers are inflation-adjusted and performance deteriorated due to the Microfinance Bank's assets being predominantly made up of monetary assets. Borrowings decreased from ZWL210million to ZWL100million due to the effects of inflation despite raising additional funding. These funds were deployed into the loan book though it also reduced from ZWL173million to ZWL82million due to the effects of inflation. The remaining funds were part of the cash and cash equivalents that grew by 35% from ZWL111 to ZWL149million.

Customer deposits increased from prior year by 104% from ZWL57.1million to ZWL116.7million resulting an aggressive deposit mobilisation strategy. Total assets decreased by 26% from ZWL589.7million to ZWL438.3million the effects of inflation affecting the monetary assets movement. The Microfinance Bank recorded a net loss of ZWL45million representing a 159% decrease from prior year. This was the result of a net monetary loss of ZWL29million as the Microfinance Bank's assets were predominantly monetary assets as described above. Operating expenses proportionally increased during the period under review from ZWL115million to ZWL160million primarily driven by a general increase in the cost of doing business.

Financial Position

The Microfinance Bank slightly decreased total assets by 26% from ZWL589 million to ZWL438.3million, in inflation adjusted terms, as a result of the Microfinance Bank's capital and value preservation strategy which saw the Microfinance Bank retaining value in investment property and foreign currency denominated instruments. On the other hand, monetary assets reduced in value due to the effects of inflation. The Microfinance Bank does not have material foreign currency denominated commitments.

Capital

The Microfinance Bank's net equity position was ZWL175.6million translating to USD2.1 million. The Microfinance Bank is working on strategies to ensure compliance with the new requirement of the local currency equivalent USD5 million effective 31 December 2021.

Dividend

No dividend has been declared for the period under review as the Microfinance Bank seeks to increase its capital in order to meet the new capital requirement by 31 December 2021.

Directorate

Mr. T. Mudangwe, the former Managing Director, and Mr. P. Mashinga, the former Chief Finance Officer resigned from their respective positions effective 31 December 2020 to pursue personal interests. Mr. George Nheweyembwa was appointed as the Managing Director of the Microfinance Bank effective 1 January 2021. Mr. Nheweyembwa is a Chartered Accountant with experience in the Microfinance Banking and microfinance industries.

Mr. Gerard Mugani was appointed Interim Chief Finance Officer of the Microfinance Bank with effect from 1 January 2021 and a substantive appointment will be made in due course. Mr. Mugani was the Head of Finance and he has been with the Microfinance Bank since 2014.

Ms. Sibongile Moyo, who was a Non-Executive Director, also resigned in 2020 to take up the position of Managing Director of Nedbank Zimbabwe.

The Board of Directors would like to extend their gratitude to Ms. Moyo, Mr. Mudangwe and Mr. Mashinga for their contribution to the Microfinance Bank and wishes Mr. Nheweyembwa and Mr. Mugani all the best in their roles.

Outlook

The Microfinance Bank was granted an Authorised Dealership Licence on 12 August 2020 and can now participate in the international banking segment. This was an exciting development that will enable the Microfinance Bank to offer a broader range of products to its clients whilst increasing foreign currency transactional income. The Microfinance Bank also received lines of credit which it will deploy into the loan book to increase interest income. In addition to this, the provision of financial services using technology continues to be the core focus of the Microfinance Bank.

COVID-19 Update

The country is still suffering from the effects of the COVID-19 pandemic and the Microfinance Bank continues to monitor the impact of the crisis on its operations. The Microfinance Bank implemented the World Health Organisation ("WHO") guidelines to ensure the health and safety of its valued staff, clients and stakeholders. Several safeguards were introduced and these included staff working remotely from home and encouraging clients to use digital platforms. The Microfinance Bank provided adequate protective equipment for staff and will continue to implement WHO guidelines such as the correct wearing of masks and use of sanitisers by staff and customers.

Appreciation

I would like to thank our clients, management, staff, and fellow directors for their contribution during the year and the achievement of these results.

DR. R. MBIRE
CHAIRMAN

DATE: 26 MARCH 2021

Auditor's statement

These financial results should be read in conjunction with the complete set of financial statements for the year ended 31 December 2020 which have been audited by Grant Thornton Chartered Accountants (Zimbabwe) in accordance with International Standards on Auditing (ISAs). The auditors have issued an adverse audit opinion on the financial statements with respect to 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 accounting for comparatives and transactions for the period, and the extent to which fair values for assets, transactions and liabilities presented in the financial statements are affected by the prevailing economic environment.

The Auditors have included a section on key audit matters. The key audit matters were with respect to the recognition of revenue and loan advances.

The auditor's report on the financial statements which form the basis of these financial results is available for inspection at the Company's registered office.

The engagement partner on the audit resulting in the auditor's report is Mr. Edmore Chimhowa (PAAB Number 0470).

Statement of Financial Position

As at 31 December 2020

	Notes	INFLATION ADJUSTED 2020 ZWL	INFLATION ADJUSTED Restated 2019 ZWL	HISTORICAL COST 2020 ZWL	HISTORICAL COST Restated 2019 ZWL
ASSETS					
Cash and cash equivalents	4	149 243 059	110 732 583	149 243 059	24 685 056
Loans and advances to customers	5.1	82 311 495	172 590 842	82 311 495	38 470 928
Financial assets at amortised cost	6.1	-	57 574 538	-	12 822 837
Other assets	6.2	14 142 554	44 543 993	9 705 640	5 118 073
Tax receivable	7	4 784 515	4 784 515	1 066 589	1 066 589
Investment properties	9	152 780 000	153 140 430	152 780 000	34 107 000
Right of use asset	10	5 671 908	6 760 420	669 912	943 549
Equipment	11	26 336 633	34 890 797	3 674 919	3 267 413
Intangible assets	12	3 016 919	4 703 525	294 654	434 481
Total assets		**438 287 083**	**589 721 643**	**399 746 268**	**120 915 926**
EQUITY AND LIABILITIES					
Equity attributable to the owners of the Company					
Share capital	13.1	4 580	4 580	116	116
Share premium	13.2	268 509 631	268 509 631	8 562 235	8 562 235
Regulatory reserve	13.3	-	89 245	-	19 894
(Accumulated loss)/retained earnings		(92 807 900)	(48 105 999)	120 639 726	41 619 093
Total equity		**175 706 311**	**220 497 457**	**129 202 077**	**50 201 338**
LIABILITIES					
Deposits from customers	14	116 741 148	57 054 965	116 741 148	12 718 972
Other financial liabilities	15	25 830 974	28 977 010	25 830 974	6 457 166
Borrowings	16	100 105 490	210 675 310	100 105 490	46 964 770
Deferred tax liability	8	19 903 160	72 516 901	27 866 579	4 573 680
Total liabilities		**262 580 772**	**369 224 186**	**270 544 191**	**70 714 588**
Total equity and liabilities		**438 287 083**	**589 721 643**	**399 746 268**	**120 915 926**

The above statement of financial position should be read in conjunction with the accompanying notes.

The financial statements were approved by the Board of Directors on 26 March 2021 and signed on its behalf by:

Dr. R. Mbire
CHAIRMAN

Mr. G. Nheweyembwa
MANAGING DIRECTOR

DATE: 26 MARCH 2021

Statement of Profit or Loss and other Comprehensive Income

For the year ended 31 December 2020

	Notes	INFLATION ADJUSTED Financial year ended December 2020 ZWL	INFLATION ADJUSTED Six months ended December Restated 2019 ZWL	HISTORICAL COST Financial year ended December 2020 ZWL	HISTORICAL COST Six months ended December Restated 2019 ZWL
Interest income	17	82 300 591	68 694 041	53 123 554	15 968 112
Interest expense	18	(38 336 382)	(33 692 930)	(23 327 848)	(5 256 383)
Net interest income		**43 964 209**	**35 001 111**	**29 795 706**	**10 711 729**
Fee and commission income	19	37 144 103	38 329 024	21 010 076	5 353 922
Other income		4 197 021	-	3 500 256	-
Gain on foreign exchange		31 530 578	30 446 365	19 374 676	3 338 711
Fair value adjustment	9	(3 722 088)	(46 674 379)	116 527 789	19 122 174
Total net income		**113 113 823**	**57 102 121**	**190 208 503**	**38 526 536**
Allowance for expected credit losses		(6 034 456)	(5 718 680)	(3 256 958)	(616 066)
Operating expenses	20	(160 419 624)	(115 034 529)	(84 657 907)	(15 942 638)
Net monetary adjustment		(29 877 601)	96 597 909	-	-
(Loss)/profit before taxation		**(83 217 858)**	**32 946 821**	**102 293 638**	**21 967 832**
Income tax credit / (expense)	21	38 426 712	(50 265 726)	(23 292 899)	(3 558 022)
(Loss)/profit for the year		**(44 791 146)**	**(17 318 905)**	**79 000 739**	**18 409 810**
Other comprehensive income		-	-	-	-
Total comprehensive (loss)/income for the year, net of tax		**(44 791 146)**	**(17 318 905)**	**79 000 739**	**18 409 810**
Basic and Diluted (loss)/earnings per share (cents)	**13**	**(3.85)**	**(1.49)**	**6.79**	**1.58**

The above statement of comprehensive income should be read in conjunction with the accompanying notes.

Banking but better
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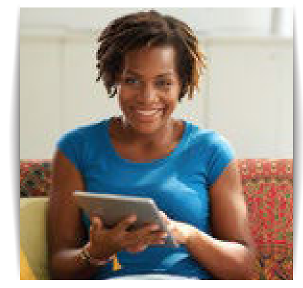
Directors: Dr. R. Mbire (Board Chairman), G. Nheweyembwa* (Managing Director), G. Mugani* (Interim Chief Finance Officer), W.T. Kambwanji, J. Machiva, R.T.L. Matsika, P. Soko. *Executive
Registered Office: Ground Floor, MIPF House. 5 Central Avenue, Harare, Zimbabwe.



Statement of Changes in Equity
For the year ended 31 December 2020

	INFLATION ADJUSTED						
	Share capital ZWL	**Share premium ZWL**	**Share application fund reserve ZWL**	**Retained earnings ZWL**	**Regulatory reserve ZWL**	**Other reserves ZWL**	**Total equity ZWL**
Balance at 1 July 2019	**4 306**	**173 574 228**	**39 513 161**	**(29 202 844)**	**886 823**	**261 447**	**185 037 121**
Loss for the period	-	-	-	(17 318 905)	-	-	**(17 318 905)**
Total comprehensive loss for the period	**-**	**-**	**-**	**(17 318 905)**	**-**	**-**	**(17 318 905)**
Transactions with owners in their capacity as owners							
Rights issue	274	55 422 242	-	-	-	-	**55 422 516**
Dividends declared and paid	-	-	-	(2 554 031)	-	-	**(2 554 031)**
Transfer from regulatory and other reserves	-	-	-	969 781	(797 578)	(261 447)	**(89 244)**
Transfer to share premium	-	39 513 161	(39 513 161)	-	-	-	**-**
	274	**94 935 403**	**(39 513 161)**	**(1 584 250)**	**(797 578)**	**(261 447)**	**52779 241**
Balance at 31 December 2019	**4 580**	**268 509 631**	**-**	**(48 105 999)**	**89 245**	**-**	**220 497 457**
YEAR ENDED 31 DECEMBER 2019							
Balance at 1 January 2020	**4 580**	**268 509 631**	**-**	**(48 105 999)**	**89 245**	**-**	**220 497 457**
Loss for the year	-	-	-	(44 791 146)	-	-	**(44 791 146)**
Total comprehensive loss for the year	**-**	**-**	**-**	**(44 791 146)**	**-**	**-**	**(44 791 146)**
Transactions with owners in their capacity as owners							
Rights issue	-	-	-	-	-	-	**-**
Dividends declared and paid	-	-	-	-	-	-	**-**
Transfer from regulatory and other reserves	-	-	-	-	-	-	**-**
Transfer to share premium	-	-	-	89 245	(89 245)	-	**-**
	-	-	-	89 245	(89 245)	-	**-**
Balance at 31 December 2020	**4 580**	**268 509 631**	**-**	**(92 807 900)**	**-**	**-**	**175 706 311**

The above statement of changes in equity should be read in conjunction with the accompanying notes.

Statement of Changes in Equity
For the year ended 31 December 2020 (Continued)

	HISTORICAL COST						
	Share capital ZWL	**Share premium ZWL**	**Share application fund reserve ZWL**	**Retained earnings ZWL**	**Regulatory reserve ZWL**	**Other reserves ZWL**	**Total equity ZWL**
Balance at 1 July 2019	**109**	**2 883 628**	**999 900**	**23 597 552**	**61 857**	**58 278**	**27 601 324**
Profit for the period	-	-	-	18 409 810	-	-	**18 409 810**
Total comprehensive income for the period	**-**	**-**	**-**	**18 409 810**	**-**	**-**	**18 409 810**
Transactions with owners in their capacity as owners							
Rights issue	7	4 678 707	-	-	-	-	**4 678 714**
Dividends declared and paid	-	-	-	(488 510)	-	-	**(488 510)**
Transfer to share premium	-	999 900	(999 900)	-	-	-	**-**
Transfer from regulatory and other reserves	-	-	-	100 241	(41 963)	(58 278)	**-**
	7	**5 678 607**	**(999 900)**	**(388 269)**	**(41 963)**	**(58 278)**	**4 190 204**
Balance at 31 December 2019	**116**	**8 562 235**	**-**	**41 619 093**	**19 894**	**-**	**50 201 338**
YEAR ENDED 31 DECEMBER 2019							
Balance at 1 January 2020 (previously stated)	**116**	**8 562 235**	**-**	**41 619 093**	**19 894**	**-**	**50 201 338**
Loss for the year	-	-	-	79 000 739	-	-	**79 000 739**
Total comprehensive income for the period	**-**	**-**	**-**	**79 000 739**	**-**	**-**	**79 000 739**
Transactions with owners in their capacity as owners							
Rights issue	-	-	-	-	-	-	**-**
Dividends declared and paid	-	-	-	-	-	-	**-**
Transfer to share premium	-	-	-	-	-	-	**-**
Transfer from regulatory and other reserves	-	-	-	19 894	(19 894)	-	**-**
	-	-	-	19 894	(19 894)	-	**-**
Balance at 31 December 2020	**116**	**8 562 235**	**-**	**120 639 726**	**-**	**-**	**129 202 077**

The above statement of changes in equity should be read in conjunction with the accompanying notes.

Statement of Cash Flows
For the year ended 31 December 2020

		INFLATION ADJUSTED		HISTORICAL COST	
	Notes	**Financial year ended December 2020 ZWL**	**Six months ended December 2019 ZWL**	**Financial year ended December 2020 ZWL**	**Six months ended December 2019 ZWL**
Cash flows from operating activities					
Cash generated from/(utilised) in operations	23	151 534 796	47 686 590	(6 397 416)	(15 298 819)
Interest received		94 076 690	105 262 249	59 921 458	23 443 708
Interest paid		(30 663 552)	(13 154 277)	(19 530 925)	(2 929 683)
Income tax paid	24	-	(1 948 050)	-	(475 861)
Net cash flows generated from operating activities		**214 947 934**	**137 846 512**	**33 993 117**	**4 739 345**
Cash flows from investing activities					
Proceeds from disposal of equipment		4 827 204	-	3 074 652	-
Purchase of equipment	11	(7 766 243)	(15 204 609)	(2 029 029)	(2 173 281)
(Payments)/ proceeds from financial assets at amortised cost		13 445 790	(53 880 000)	13 445 790	(12 000 000)
Additions to intangible assets	12	(147 699)	(2 015 830)	(38 212)	(264 792)
Purchase of investment property		(3 361 658)	(13 642 454)	(2 145 211)	(1 999 084)
Net cash flows generated from/(utilised in) investing activities		**6 997 394**	**(84 742 893)**	**12 307 990**	**(16 437 157)**
Cash flows from financing activities					
Net proceeds from borrowings		92 271 535	114 379 023	58 882 220	25 497 922
Dividends paid		-	(2 554 031)	-	(488 510)
Net cash flows generated from financing activities		**92 271 535**	**111 824 992**	**58 882 220**	**25 009 412**
Net increase in cash and cash equivalents		**314 216 862**	**164 928 611**	**105 183 327**	**13 311 600**
Cash and cash equivalents at the beginning of the year		110 732 583	36 076 005	24 685 056	8 034 745
Net foreign exchange differences on cash and cash equivalents		30 446 365	31 530 578	19 374 676	3 338 711
Inflation effect on cash and cash equivalents		(306 152 751)	(121 802 611)	-	-
Cash and cash equivalents at the end of the year	**4**	**149 243 059**	**110 732 583**	**149 243 059**	**24 685 056**

The above statement of cash flows should be read in conjunction with the accompanying notes.

GETBUCKS ZW 1953/02

Notes to the Financial Statements
For the year ended 31 December 2020

1 GENERAL INFORMATION

GetBucks Microfinance Bank Limited ("Getbucks" or "the Microfinance Bank") is registered as a Deposit Taking Microfinance Bank by the Reserve Bank of Zimbabwe, under the MicroFinance Act (Chapter 24:29), and is a subsidiary of GetBucks Limited which holds 53.7%, (December 2019 :53.7%) of the Microfinance Bank's ordinary shares. The Microfinance Bank was listed on the Zimbabwe Stock Exchange on 15 January 2016 and obtained its deposit taking licence in the same month.

The Microfinance Bank is a limited liability Company incorporated and domiciled in Zimbabwe. The Microfinance Bank's business is conducted in Zimbabwe.

The address of its registered office is 1st Floor, MIPF House, 5 Central Avenue, Harare, Zimbabwe.

Change in year end

The Microfinance Bank changed its year end from 30 June to 31 December in the previous year. This was because the Group changed its year end necessitating need for the Microfinance Bank to align with the Group. This has resulted in a full financial year for the period 1 January 2020 to 31 December 2020 with a comparative of 6 months form 1 July 2019 – 31 December 2019 then annually thereafter. Amounts presented in the financial statements are not entirely comparable as current year is a 12 month period yet prior year is a 6 month period.

2 SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") and in the manner required by the Companies and other Business Entities Act (Chapter 24:31), except for non-compliance with International Accounting Standard ("IAS") 21, *The Effects of Changes in Foreign Exchange Rates* described in **note 2.2** and International Accounting Standard ("IAS") 29 Financial Reporting in Hyperinflationary Economies, and interpretations issued by the IFRS Interpretations Committee ("IFRS IC") as issued by the International Accounting Standards Board ("IASB").

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in **note 3**.

The financial statements have been prepared based on the statutory records that are maintained under the historical cost basis and adjusted for the effects of applying IAS29. The financial statements are presented in Zimbabwean dollars and all values are rounded to the nearest dollar.

2.1.1 Changes in accounting policy and disclosures

Amended standards and interpretations

Several amendments and interpretations apply for the first time in 2020, but do not have an impact on the financial statements of the company. The company has not early adopted any standards, interpretations or amendments that have been issued but are not yet effective.

Standards issued but not yet effective

IAS 8 — Accounting Policies, Changes in Accounting Estimates and Errors- Definition of Material

In October 2018, the IASB issued amendments to IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors to align the definition of 'material' across the standards and to clarify certain aspects of the definition. The new definition states that, 'Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.' The amendments to the definition of material is not expected to have a significant impact on the Company's financial statements.

Notes to the Financial Statements (Continued)

For the year ended 31 December 2020

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1.1 Changes in accounting policy and disclosures (continued)

Amendments to IFRS 7, IFRS 9 and IAS 39 Interest Rate Benchmark Reform

The amendments to IFRS 9 and IAS 39 Financial Instruments: Recognition and Measurement provide a number of reliefs, which apply to all hedging relationships that are directly affected by interest rate benchmark reform. A hedging relationship is affected if the reform gives rise to uncertainty about the timing and/or amount of benchmark-based cash flows of the hedged item or the hedging instrument. These amendments have no impact on the financial statements of the Company as it does not have any interest rate hedge relationships.

IFRS 3 Business Combinations: Definition of Business

The amendment to IFRS 3 Business Combinations clarifies that to be considered a business, an integrated set of activities and assets must include, at a minimum, an input, and a substantive process that, together, significantly contribute to the ability to create output. Furthermore, it clarifies that a business can exist without including all of the inputs and processes needed to create outputs. These amendments had no impact on the financial statements of the Company but may impact future periods should the Company enter into any business combinations.

Amendments to IFRS 16 Covid-19 Related Rent Concessions

On 28 May 2020, the IASB issued Covid-19-Related Rent Concessions - amendment to IFRS 16 Leases. The amendments provide relief to lessees from applying IFRS 16 guidance on lease modification accounting for rent concessions arising as a direct consequence of the Covid-19 pandemic. As a practical expedient, a lessee may elect not to assess whether a Covid-19 related rent concession from a lessor is a lease modification. A lessee that makes this election accounts for any change in lease payments resulting from the Covid-19 related rent concession the same way it would account for the change under IFRS 16 if the change were not a lease modification. The amendment applies to annual reporting periods beginning on or after 1 June 2020. Earlier application is permitted.

2.2 Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of the Microfinance Bank are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The financial statements are presented in Zimbabwe dollar ("ZWL"), which is the Microfinance Bank's functional and presentation currency.

The country pronounced the Zimbabwe Dollar as the sole legal tender on 24 June 2019, moving from a multi currency system that used a basket of foreign currencies as legal tender. The currency has a limited range of local bond notes, coins and various forms of electronic payment platforms. The pronouncement, however, did not affect the opening or operation of foreign currency designated accounts, otherwise known as 'Nostro FCA accounts' which continued to be designated in foreign currencies with which they were opened and were operated.

From an IAS 21 perspective, the separation of the ZWL FCA and Nostro FCA accounts on 1 October 2018 by the RBZ was a strong indicator of a change in functional currency. However, the Microfinance Bank maintained the 1:1 parity between the US$ and the ZWL for accounting purposes for the period to 22 February 2019 in order to comply with laws of Zimbabwe that did not recognise ZWL FCA as currency until 22 February 2019 when SI 33 of 2019 was promulgated. An alternative way of accounting for these changes that complies with IFRS was to use the Old Mutual Implied Rate ("OMIR") for conversion of ZWL FCA denominated numbers to the US$. Though this approach would be IFRS compliant, this would result in non compliance with the laws and regulations of Zimbabwe, prior to the introduction of local currency on 22 February 2019. The above means that prior year comparative figures are not compliant with IAS 21.

b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuations where items are re-measured. Foreign exchange gains or losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of profit or loss, except when deferred in equity as qualifying cash flow hedges and qualifying net investment hedges.

Foreign exchange translation gains or losses are presented on the face of the statement of comprehensive income.

2.3 Cash and cash equivalents

Cash and cash equivalents includes cash on hand, other short-term highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to insignificant risk of changes in value, and bank overdrafts. There were no overdrafts as at the reporting date.

2.4 Intangible assets

Software licenses

Separately acquired software licences are shown at historical cost, less accumulated amortisation. The acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful lives of three years. Costs associated with maintaining computer software programmes are recognised as an expense as incurred.

2.5 Equipment

a) Recognition and measurement

The cost of an item of equipment is recognised as an asset if, and only if; it is probable that future economic benefits associated with the item will flow to the entity and the cost of the item can be measured reliably.

Equipment is stated at historical cost less accumulated depreciation and impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing working condition for its intended use, the cost of dismantling the asset and removing items and restoring the site on which they are located.

Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment. Where parts of equipment have different useful lives, they are accounted for (major components) as separate equipment.

(b) Subsequent measurement

The cost of replacing part of an item of property and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Microfinance Bank and its cost can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the statement of profit or loss within 'administrative expenses' during the financial period in which they are incurred. Subsequent costs can also be recognised as separate assets.

Depreciation is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, as follows:

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.5 Equipment (continued)

(b) Subsequent measurement (continued)

Items	Average useful life
Furniture and fixtures	6 years
Motor vehicles	5 years
Office equipment	5 years
IT equipment	3 years
Leasehold improvements	Shorter of useful life or duration of the lease agreement

Depreciation methods, useful lives and residual values are reassessed at each reporting date.

Gains or losses on disposals are determined by comparing proceeds with carrying amount. These are included in the statement of comprehensive income within other income.

The carrying amounts of the Microfinance Bank's items of equipment are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. An impairment allowance is recognised whenever the carrying amount exceeds its recoverable amount.

An assets' carrying amount is written down immediately to its recoverable amount if the assets' carrying amount is greater than the estimated recoverable amount.

(c) Derecognition

The carrying amount of an item of equipment is derecognised on disposal or when no future economic benefits are expected from its use or disposal.

2.6 Investment properties

a) Recognition criteria

Investment properties are those properties held for earning rental income and/or for capital appreciation. None of these properties are occupied by the Microfinance Bank for its business activities. In the case where property will be partly used for business and partly leased out under an operating lease, the property will be split according to its use if the properties can be sold separately. If the properties cannot be sold separately, the property is investment property only if an insignificant portion is held for use in the production or supply of goods or services or for administrative purposes.

Investment property is initially measured at cost. The cost includes purchase price and any directly related cost such as (professional or legal charges, property transfer taxes & any other transaction costs).

Subsequent to initial recognition, investment properties are stated at fair value, based on valuations performed by independent professional valuers. Valuations should be carried out at least at each reporting date. Fair value gain or losses are recorded through profit or loss . Where the fair value of the investment property cannot be measured reliably, it is then measured at cost until the fair value becomes determinable.

b) Transfers to and from investment properties

Transfers are made to or from investment property only when there is a change in use and a revaluation is done first before the transfer. If a significant portion of investment property becomes owner occupied where split is not possible, it is reclassified as property and equipment in accordance with IAS 16 (Property, plant and equipment) and its fair value at the date of its classification becomes its cost for subsequent accounting as property and equipment under IAS 16.

c) Derecognition

Investment properties are derecognised when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognised in profit or loss in the period of derecognition.

2.7 Current income and deferred tax

Current income tax assets and liabilities

The income tax expense for the year comprises current income and deferred tax. Income tax is recognised in the statement of profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

Current income tax assets and liabilities (continued)

The current income tax expense is calculated on the basis of the tax laws enacted or substantively enacted at the statement of financial position date in Zimbabwe. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes liabilities where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred tax is recognised, using the liability method, on temporary differences arising between assets and liabilities and their carrying amounts in the financial statements. However, the deferred tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss.

Deferred tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the reporting date and are expected to apply when the related deferred income tax asset is realised or the deferred tax liability is settled. Deferred tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised. Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference is controlled by the Microfinance Bank and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

2.8 Share capital

Ordinary shares and Share Premium

Ordinary shares are classified as equity. Share premium is the difference between the nominal value and issue price paid for shares on subscription by shareholders.

2.9 Share application reserve

Proceeds received from investors for the purchases of shares not yet issued in their name are credited to the share application fund reserve and transferred to stated capital upon formal issue and registration of the purchased shares to the investor. There is no expectation that this will become repayable in the future.

Notes to the Financial Statements (Continued)

For the year ended 31 December 2020

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.9.1 Share issue costs

Transaction costs incurred as a necessary part of completing an equity transaction are accounted for as part of that transaction and are deducted from equity. These transaction costs of an equity transaction are accounted for as a deduction from equity to the extent that they are directly attributable to the equity transaction that otherwise would have been avoided.

2.10 Revenue recognition

Revenue is derived substantially from the microfinance business, SME business, retail banking and bureau de change trading. This comprises of interest income and non-interest income. Revenue arises from IFRS 9 (Financial instruments) and IFRS 15 (Revenue from contracts with customers).

2.10.1 Revenue within the scope of IFRS 15

The Microfinance Bank recognises revenue from contracts with customers under the scope of IFRS 15 as it transfers goods or services to customers at an amount that reflects the consideration to which the Microfinance Bank expects to be entitled to in exchange for those services excluding amounts collected on behalf of third parties. For amounts collected on behalf of third parties, the Microfinance Bank records commission earned. Commission earned represents the net amount the Microfinance Bank retains from insurance sold and underwritten by insurance companies. The Microfinance Bank applies the 5 step approach to revenue recognition under IFRS 15. Revenue is recognised when a performance obligation is satisfied by transferring a promised asset to the customer or performing the promised service. Control includes the ability to prevent others from directing the use of and obtaining the benefits from the asset. If the Microfinance Bank does not satisfy its performance obligation over time, it satisfies it at a point in time and revenue will be recognised when control is passed or service performed at that point in time. IFRS 15 uses the terms 'contract asset and 'contract liability to describe what might more commonly be known as 'accrued income' and 'deferred income'. However, the Standard does not prohibit an entity from using alternative descriptions. The term 'accrued income' is used with respect to income recorded as a result of amortisation. Revenue is recognised under the scope of IFRS 15 as follows:

2.10.1.1 Fee and commission income

Revenue from fee and commission income includes account maintenance fees, ledger fees, cash withdrawal fees, and point of sale income as the related services are performed. Loan commitment fees ("establishment fees") for loans that are drawn down are deferred and revenue earned over the life of the loan. Commission is earned on credit life insurance policies on loans at a point in time when the loan is disbursed. Fee and commission income is generally recognised on an accrual basis when the service has been provided.

Revenue is measured at the transaction price for satisfying a performance obligation. No revenue is recognised if there are significant uncertainties regarding the recovery of the consideration due and measurement of the associated costs incurred to earn the revenue. From the business of microfinance and related services, revenue comprises interest income and fees and commission income. Interest income is recognised using the effective interest method

2.10.2 Revenue within the scope of IFRS 9

The Microfinance Bank's revenue items recognised under the scope of IFRS 9 are as follows:

Interest income

Revenue from loans disbursed is initially recognised at the face value of the amount disbursed in the statement of financial position under loans and advances to customers. Once funds are disbursed, the Microfinance Bank will not have a performance obligation as amortisation of income will continue until respective counterparties have settled balances outstanding. Interest income and expense are recognised in profit or loss using the effective interest method. The 'effective interest rate' is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument to:

- the gross carrying amount of the financial asset; or
- the amortised cost of the financial liability.

When calculating the effective interest rate for financial instruments other than purchased or originated credit-impaired assets, the Microfinance Bank estimates future cash flows considering all contractual terms of respective financial assets, but not expected credit losses. The calculation of the effective interest rate includes transaction costs and fees paid or received that are an integral part of the effective interest rate.

2.11 Leases

As indicated in note 11 below, the Microfinance Bank has adopted IFRS 16 Leases retrospectively from 1 July 2019 but has not restated comparatives for the June 2019 reporting period, as permitted under the specific transition provisions in the standard. The reclassifications and the July 2019 adjustments arising from the new leasing rules are therefore recognised in the opening balance sheet on 1 July 2019. The new accounting policies are disclosed below:

Transition approach

The Microfinance Bank has applied the simplified transition approach which is outlined below and all of the exemptions and expedients available in IFRS 16 and the adoption of IFRS 16 did not affect the impairment calculations and did not require the recognition of an additional impairment loss as part of the transition adjustments.

Where the Microfinance Bank as a lessee applies the simplified approach, it does not restate any comparative information. Instead, the cumulative effect of applying the standard is recognised as an adjustment to the opening balance of retained earnings (or another component of equity, as appropriate) at the date of initial application. While full retrospective application is optional, if chosen it must be applied to all leases. Selective application of the simplified transition application of the simplified transition.

Bank as a lessor

The Microfinance Bank has no agreements or contracts where it acts as lessor.

The outstanding principal amounts less unearned finance charges, are included in advances to customers in the statement of financial position.

The finance charges earned are computed at the effective interest rates in the contracts and are in proportion to balances outstanding under each contract. The unearned portion of finance charges is shown as a deduction from loans and advances. The Microfinance Bank had no finance leases during the reporting period ended 31 December 2020 (31 December 2019: ZWLNil).

Lease income from operating leases is recognised in the statement of profit or loss within 'other income' on a straight-line basis over the lease term. Lease receivables are recognised within "other assets" in the statement of financial position. There has been no lease income or receivables during the reporting period.

Bank as a lessee

The Microfinance Bank recognises a lease liability and a right of use asset on all significant leases. This excludes all leases relating to lower value assets and leases for periods less than 12 months which will be treated as operating leases. Payments made under operating leases are charged to the statement of profit or loss on a straight-line basis over the period of the lease. Payments made under the finance leases are deducted from the lease liability.

Right of use assets and lease liabilities are presented on the face of the statement of financial position, and the interest charged on lease liability is presented under "Interest expense" in the statement of profit or loss.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.11 Leases (continued)

Bank as a lessee (continued)

IFRS 16 impacts the Microfinance Bank by virtue of lease contracts the Microfinance Bank holds with third parties relating to properties used for the company's activities. The Microfinance Bank has reviewed all its leasing arrangements over the last year in light of the new lease accounting rules in IFRS 16.

As at the reporting date, the Microfinance Bank had non-cancellable lease commitments of ZWL4 337 581. Of these commitments, approximately ZWL1 551 172 relates to short term leases which were recognised on a straight line basis as expense in profit or loss.

The Microfinance Bank does not have any activities as a lessor because the investment property is not leased out. The Microfinance Bank only has one lease agreement which has a period greater than one year and qualifies for recognition of a right of use asset. As a result, the Microfinance Bank has recorded a right of use assets under the IFRS 16 model.

Right of use asset

IFRS 16 requires that a right of use asset is recognised when there is a lease that both gives lessee control over the use of the asset and the lease period is significant (above 12 months).

The right of use asset is initially recognised as the present value of the minimum lease payments. Subsequently, they are carried at cost less accumulated depreciation. Depreciation is calculated over the term of the lease using a straight line basis.

The right of use asset is derecognised when control over the use of the asset has ceased from the lessee. No impairment considerations were made for the right of use asset as the impact was unlikely to be significant. This is also because the asset is also not significant.

Lease liability

The lease liability is initially recognised as the present value of minimum lease payments . Subsequently , the carrying amount of the lease liability is increased by the interest charge using the incremental cost funds and carrying amount of the lease liability is reduced by cash repayments of rentals.

2.12 Employee benefits

a) Termination benefits

Termination benefits are benefits payable as a result of the Microfinance Bank's decision to terminate employment before the normal retirement date (or contractual date) or whenever an employee accepts voluntary redundancy in exchange of those benefits. Termination benefits are recognised as an expense at the earlier of the following dates: (a) when the Microfinance Bank can no longer withdraw the offer for these benefits; and (b) when the Microfinance Bank recognises costs for a restructuring that is within the scope of IAS 37, 'Provisions, contingent liabilities and contingent assets', and involves the payment of terminal benefits. Termination benefits for voluntary redundancies are recognised if the Microfinance Bank has made an offer encouraging voluntary redundancy, it is probable that the offer will be accepted, and the number of acceptances can be estimated reliably.

b) Short-term employee benefits and compensation absences

Short-term employee benefits are employee benefits (other than termination benefits) which fall due wholly within twelve months after the end of the period in which the employees render service. Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

Wages, salaries, paid annual leave, bonus and other monetary benefits are recognised as employee benefit expenses and accrued when the associated services are rendered by the employees to the Microfinance Bank.

c) Bonus plans

A provision is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Microfinance Bank has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

d) Post-employment benefits

Post-employment benefits are employee benefits (other than termination benefits) which are payable after completion of employment. Obligations for contributions to a defined contribution pension plan are recognised as an expense in profit or loss when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

e) Pensions

The Microfinance Bank operates a defined contribution plan. This is a plan under which the Microfinance Bank pays fixed contributions into a separate entity. The Microfinance Bank thus 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 or prior periods.

f) National Social Security Authority Scheme

The Microfinance Bank and its employees contribute to the National Social Security Authority Scheme. This is a social security scheme which was promulgated under the National Social Security Act (Chapter 17:04). The Microfinance Bank obligations under the scheme are limited to specific contributions as legislated from time to time.

g) Share Option Scheme

The Microfinance Bank issues share options to certain employees in terms of the Employee Share Option Scheme which is an equity settled share-based payment scheme. Share options are measured at fair value of the equity instruments at the grant date. The fair value determined at the grant date of the options is expensed over the vesting period, based on the Microfinance Bank's estimate of shares that will eventually vest. Fair value is measured using the Black-Scholes option pricing model. The expected life used in the model is adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and other behavioural considerations.

The Microfinance Bank expects that these share options will not be exercised and has thus derecognised the reserve that had been initially created during the period.

2.13 Provisions

Provisions are recognised when the Microfinance Bank has a present legal or constructive obligation as a result of past events and it is probable that an outflow of resources will be required to settle the obligation; and the amount can be reliably estimated. Provisions are not recognised for future operating losses. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small. Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation.

The increase in the provision due to passage of time is recognised as an interest expense. Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave.

2.14 Dividend Distribution

Dividend distribution to the Microfinance Bank's shareholders is recognised as a liability in the Microfinance Bank's financial statements in the period in which the dividends are declared by the Microfinance Bank's Directors.

Directors: Dr. R. Mbire (Board Chairman), G. Nheweyembwa* (Managing Director), G. Mugani* (Interim Chief Finance Officer), W.T. Kambwanji, J. Machiva, R.T.L. Matsika, P. Soko. *Executive
Registered Office: Ground Floor, MIPF House. 5 Central Avenue, Harare, Zimbabwe.

Notes to the Financial Statements (Continued)
For the year ended 31 December 2020

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.15 Segment information

An operating segment is a component of an entity:
- that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the same entity);
- whose operating results are regularly reviewed by the entity's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance; and
- for which discrete financial information is available.

For management purposes the Executive Committee has identified two segments:
a. Consumer lending: Individuals from public and private sector consumer loans; and
b. Small and Medium Enterprise ("SME") lending: Loans and other credit facilities for corporate clients.
c. Bureau: Forex trading

The Microfinance Bank operates within the microfinance sector. The activities of the Microfinance Bank are mostly related to providing financial services to Zimbabweans who require funding for daily consumption needs. The operating segments are reported in a manner consistent with internal reporting provided to the chief operating decision maker. The chief operating decision maker who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Executive Committee, which makes strategic decisions.

2.16 IFRS 9 Financial Instruments

In accordance with transitional provisions in IFRS 9 (7.2.15) and (7.2.26), comparative figures were not restated.

2.16.1 Financial assets

Initial recognition

A financial instrument is a contract that gives rise to both a financial asset of one entity and a financial liability or equity instrument of another entity. Financial assets held by the Microfinance Bank include balances with banks and cash, and loans and advances, deposits and sundry receivables. The Microfinance Bank's financial assets in the scope of IFRS 9 are classified at initial recognition and subsequently measured at amortised cost.

The Microfinance Bank initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. For a financial asset to be classified and measured at amortised cost, it needs to give rise to cash flows that are 'solely payments of principal and interest ("SPPI") on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at individual instrument level. The Microfinance Bank's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

Subsequent measurement

For subsequent measurement, the Microfinance Bank's financial assets are classified at amortised cost. The Microfinance Bank's financial assets are subsequently measured at amortised cost if they meet the following criteria:
- SPPI criteria tests whether the contractual cashflows of the financial asset represent solely payments of principal and interest.
- Hold to collect business model test. The assets are held within a business model whose objective is to hold the financial asset in order to collect contractual cash flows. Financial assets do not always have to be held to maturity in order to comply with the test.

Derecognition

Derecognition of a financial asset occurs when:
- The rights to receive cash flows from the asset have expired;
- The Microfinance Bank has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full to a third party.

2.16.2 Financial liabilities

Initial recognition

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs. The Microfinance Bank's financial liabilities include trade and other payables, loans and borrowings, and deposits and are all classified at amortised cost.

Subsequent measurement

After initial recognition, interest bearing loans, other borrowings and deposits are subsequently measured at amortised cost using the effective interest rate ("EIR") method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as interest income in the statement of comprehensive income.

Derecognition

A financial liability is derecognised when the obligation under the liability is discharged, cancelled, or expires. Where an existing financial liability is replaced by another from the same lender on substantially different terms or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the initial liability and the recognition of a new liability.

2.16.3 Allowance for expected credit losses

The Microfinance Bank assesses at each reporting date, the expected credit losses ("ECL") associated with a financial asset or group of financial assets. At each reporting date the Microfinance Bank also assesses whether the credit risk of its financial assets has increased significantly since initial recognition. Whether credit risk has significantly increased or not is determined by changes in default risk. Evidence of change in default risk may include indications that the debtors or a group of debtors is experiencing significant difficulty in interest or principal payments. Where observable data indicates that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

The various staging considerations are as follows;

Stage 1 As soon as a financial instrument is originated or purchased, 12 month expected credit losses are recognised in profit or loss and a loss allowance is established. The allowance serves as a proxy for the initial expectation of expected loss.

Stage 2 If the credit risk increases significantly and the resulting credit quality is not considered to be low risk, full lifetime expected credit losses are recognised. Lifetime expected credit losses are only recognised if the credit risk increases significantly from when the entity originated the financial asset.

Stage 3 If the credit risk of a financial asset increases to a point that it is considered credit impaired. Lifetime expected credit losses are still recognised on these financial assets.

The carrying amount of financial assets in the statement of financial position is reduced by the loss allowance for ECLs. The Microfinance Bank recognises 12 month expected credit loss as loss allowance when there is no significant increase in the credit risk of the financial asset since initial recognition. When there is significant increase in credit risk since initial recognition, lifetime expected credit losses for the remaining life of financial assets are recognised. The amount of the credit loss expense is measured as the present value of all cash shortfalls discounted at the financial asset's original effective interest rate. Credit loss is recognised even if the Microfinance Bank expects to be paid in full but later than when contractually due. The Microfinance Bank recognises in profit or loss on expected credit loss gain or loss reflecting the amount of expected credit losses (or reversal) that is required to adjust the loss allowance at the reporting date to the amount that is required to be recognised.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.17 Fair Value Measurement

The Microfinance Bank measures financial instruments, such as derivatives, and non-financial assets, such as investment properties, at fair value at each reporting date. Also, fair values of financial instruments(loans and advances to customers) measured at amortised cost are disclosed in note 5. 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. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either: in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal market or the most advantageous market must be accessible by the Microfinance Bank.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

When one is available, the Microfinance Bank 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 Microfinance Bank uses valuation techniques that maximise the use of relevant observable inputs and minimise the use of unobservable inputs. The chosen valuation technique incorporates all of the factors that market participants would take into account in pricing a transaction.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:
- **Level 1**– Quoted (unadjusted) market prices in active markets for identical assets or liabilities;
- **Level 2**– Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable;
- **Level 3**– Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

Information on the Microfinance Bank's fair value hierarchy is provided in note 32.

The best evidence of the fair value of a financial instrument on initial recognition is normally the transaction price - that is, the fair value of the consideration given or received. If the Microfinance Bank determines that the fair value on initial recognition differs from the transaction price and the fair value is evidenced neither by a quoted price in an active market for an identical asset or liability nor based on a valuation technique for which any unobservable inputs are judged to be insignificant in relation to the measurement, then the financial instrument is initially measured at fair value, adjusted to defer the difference between the fair value on initial recognition and the transaction price.

Subsequently, that difference is recognised in profit or loss on an appropriate basis over the life of the instrument but no later than when the valuation is wholly supported by observable market data or the transaction is closed out. If an asset or a liability measured at fair value has a bid price and an ask price, then the Microfinance Bank measures assets and long positions at a bid price and liabilities and short positions at an ask price.

The fair value of a financial liability with a demand feature (for example, a demand deposit) is not less than the amount payable on demand, discounted from the first date on which the amount could be required to be paid.

2.18 Earnings per share

2.18.1 Basic earnings per share

Basic earnings per share are calculated by dividing:
- The profit attributable to equity shareholders;
- by the weighted average number of ordinary shares outstanding during the financial period, adjusted for bonus elements in ordinary shares issued during the year and excluding treasury shares.

2.18.2 Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take account of:
- The after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares, and
- the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

2.18.3 Headline earnings per share

Headline earnings per share are calculated by dividing:
- the headline earnings of the Microfinance Bank, which is the profit attributable to equity shareholders, adjusted for goodwill impairments, capital.
- by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year and excluding treasury shares.

3 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The Microfinance Bank's financial statements and its financial results are influenced by accounting policies, assumptions, estimates and management judgement, which have to be made in the course of the preparation of the financial statements. Accounting policies and management's judgements for certain items are especially critical for the Microfinance Bank's results and financial situation due to their materiality. The key estimates and judgements that were made during the preparation of the financial statements were as follows:

3.1 Hyperinflation

On 11 October 2019, the Public Accountants and Auditors Board made a pronouncement 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 on or after 1 July 2019 to apply requirements of IAS 29 ' Financial reporting in Hyperinflationary economies'. The Microfinance Bank adopted and applied the requirements of IAS 29 with effect from 1 July 2019 and comparatives were also restated accordingly. Monetary items, assets and liabilities; and non-monetary assets and liabilities carried at revalued amounts have not been restated as they are presented at the measuring unit current at the end of the reporting period. A net monetary loss was recognised in the statement of profit or loss. Comparative amounts have been restated to reflect the change in the reporting period.

Judgement has been used in the various assumptions used such as the consumer price indices for the various years due to limitation of data available.

	Indices	Conversion factor
CPI as at 31 December 2020	2474.51	1.000
CPI as at 31 December 2019	551.63	4.486
CPI as at 30 June 2019	172.6	14.337
Average CPI 2020	1 579	
Average CPI 2019	64	

Directors: Dr. R. Mbire (Board Chairman), G. Nheweyembwa* (Managing Director), G. Mugani* (Interim Chief Finance Officer), W.T. Kambwanji, J. Machiva, R.T.L. Matsika, P. Soko. *Executive
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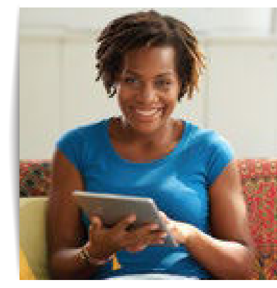


Notes to the Financial Statements (Continued)

For the year ended 31 December 2020

3 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

3.2 Impairment losses on loans and advances

The measurement of impairment losses across all categories of financial assets requires judgement. In particular, the estimation of the amount and timing of future cash flows and collateral values when determining impairment losses and the assessment of a significant increase in credit risk. These estimates are driven by a number of factors, changes in which can result in different levels of allowances.

The Microfinance Bank's expected credit loss (ECL) calculations are outputs of complex models with a number of underlying assumptions regarding the choice of variable inputs and their interdependencies. Elements of the ECL models that are considered accounting judgements and estimates include:

a. The Microfinance Bank's assigned probability of default (PDs) to the individual grades. This model assesses individual payment behaviour using a three month window to determine how individual loans have performed over the period.
b. The Microfinance Bank's criteria for assessing if there has been a significant increase in credit risk so that allowances for financial assets are measured on a lifetime expected credit losses basis and the qualitative assessment. To trigger significant increases in credit risk, and hence the measurement of 'Lifetime Expected Credit Losses', the model applies the 30-day rebuttable rule.
c. The segmentation of financial assets when their ECL is assessed on a collective basis. The model groups customers which exhibit similar risk profiles.

The Microfinance Bank reviews its loan portfolios to assess impairment monthly. In determining whether an impairment allowance should be recorded in the statement of profit or loss, the Microfinance Bank makes judgements as to whether there is a measurable decrease in the estimated future cash flows from a portfolio of loans before the decrease can be identified with an individual loan in that portfolio. Management uses estimates based on expected credit loss model. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

3.3 Principal assumptions underlying estimation of fair values for investment properties

Fair values for investment properties were arrived at by applying the implicit investment approach. This method is based on the principle that rent and capital values are inter - related. Comparable rent from offices and industrials within the locality of the property were used. These were based on use, location, size and quality of finishes. The rentals were then annualised and a capitalisation factor applied to give a market value of each property, also relying on comparable premises which are in the same category as regards the building elements. The capitalisation factor represents the yield of the properties over a year horizon and is based on observed rate of return by similar properties in Zimbabwe and the forecasted properties intrinsic value.

In arriving at the market value, the following rentals were applied on the main space:

	Area (m2)	Rate ZWL/m2	Monthly rental (ZWL)
Newlands Property			
Main offices	1 162	650	755 560
Yard	4 000	29.21	116 857
Total monthly rent	-	-	**872 417**
Total annual rent	-	-	**10 469 000**
Capitalised by the years' purchase in perpetuity @ 10.00%	-	-	**10**
Market value	-	-	**104 690 000**

Other properties

Fair values of the other properties have been arrived at using comparative sales approach. This method compares like with like, extracts data from properties recently sold or on offer similar to those to be valued with the same planning controls. The data is then analysed and applied to the subject property varied by scrutiny of comparables not exactly equivalent in size, quality and location.

Comparable sales evidence of land in Harare is as follows;

		Market value (ZWL)
Stoneridge	(ZWL3 000 - 4 300 per square metre)	25 350 000
Bluff hill	(ZWL3 500-3 800 per square metre)	13 020 000
Ruwa		2 940 000
Waterfalls		4 330 000
Norton	(ZWL164 - 448per square metre)	2 450 000
Market value		**48 090 000**
Total investment properties		**152 780 000**

3.4 Taxation

Judgement is required in determining the provision for income taxes due to the complexity of legislation. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Microfinance Bank recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

The Microfinance Bank recognises the net future tax benefit related to deferred income tax assets to the extent that it is probable that the deductible temporary differences will reverse in the foreseeable future. Assessing the recoverability of deferred income tax assets requires the Microfinance Bank to make significant estimates related to expectations of future taxable income. Estimates of future taxable income are based on forecast cash flows from operations and the application of existing tax laws in each jurisdiction. To the extent that future cash flows and taxable income differ significantly from estimates, the ability of the Microfinance Bank to realise the net deferred tax assets recorded at the end of the reporting period could be impacted.

3.5 Going concern

As at 31 December 2020, the Microfinance Bank's inflation adjusted total assets exceeded total liabilities by ZWL175.6 million (2019: ZWL220.5 million). Loan obligations that fell due within the next 12 months amounted to ZWL100.1 million (2019: ZWL210.7 million). The Microfinance Bank attained an inflation adjusted loss of ZWL44.9 million (2019: ZWL17.3 million for six months) yet the historical cost numbers reflect a ZWL79.0 million profit (2019: ZWL18.4 million for six months).

Though the Microfinance Bank posted a loss in current year, the metrics above reflect significant improvement from prior year. The Directors believe the Microfinance Bank has adequate resources to continue in operational existence for the foreseeable future and this is mainly supported by:

a. The Microfinance Bank had a cash and cash equivalents balance of ZWL149.2 million which was just below the ZWL160.4 million operating expenses for the financial period.
b. The Microfinance Bank's operations were classified as essential services enabling the Microfinance Bank to continue operating during the national lockdown without incurring material incremental costs.
c. The Microfinance Bank is instituting cost rationalisation measures in response to changes in the operating environment.
d. The Microfinance Bank is at an advanced stage in securing a ZWL300 million facility with a local financial institution. The facility has very strong prospects of success and will be channelled towards the loan book.
e. The Microfinance Bank is in the process of negotiating higher limits and/or rollover for current facilities in order to maximise on increased value of security pledged.
f. The Microfinance Bank has introduced new product deliver channels which has seen a significant increase in demand for its products.
g. The Microfinance Bank has secured an Authorised Dealership license which now enables it to perform international banking and foreign exchange transactions on behalf of clients.

3 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

3.5 Going concern (continued)

3.5.1 Effects of COVID19 Pandemic

Many economies across the world have been severely impacted by the COVID19 pandemic. Both global and local economic activities have slowed down as governments adopt restrictive measures to curtail the spread of the COVID19 virus. The Zimbabwean government has implemented the restrictive measures but has allowed essential service sectors to operate during the period, of which GetBucks has been ranked as a critical service.

As an essential service, the Microfinance Bank has operated at full scale by utilising its digital platforms and also implementing World Health Organisation's ("WHO") guidelines. As a result the Microfinance Bank's financial position and results of operations as at and for the period ended 31 December 2020 have not been adjusted to reflect the impact of the COVID19 pandemic. Management believes that the Microfinance Bank will not be affected by the COVID19 pandemic due to the nature of its operations.

Based on the above assessment the directors have assessed the Microfinance Bank to continue as a going concern and believe that the preparation of these financial statements on a going concern remains appropriate.

4 CASH AND CASH EQUIVALENTS

	INFLATION ADJUSTED		HISTORICAL COST	
	December 2020 ZWL	December 2019 ZWL	December 2020 ZWL	December 2019 ZWL
Cash and cash equivalents consist of:				
Cash on hand	40 217 590	12 260 704	40 217 590	2 733 217
Balances with the Reserve Bank of Zimbabwe	42 948 141	20 678 593	42 948 141	4 609 774
Bank balances	66 077 328	77 793 286	66 077 328	17 342 065
	149 243 059	**110 732 583**	**149 243 059**	**24 685 056**

Credit quality of cash at bank and short term deposits, excluding cash on hand

The credit quality of cash at bank and short term deposits, excluding cash on hand that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or historical information about counterparty default rates:

	INFLATION ADJUSTED		HISTORICAL COST	
	December 2020 ZWL	December 2019 ZWL	December 2020 ZWL	December 2019 ZWL
Credit rating				
AA	1 736 748	3 848 910	1 736 748	858 018
A+	7 337	450 755	7 337	100 485
BBB+	18 686	226 028	18 686	50 387
BBB-	3 199 471	9 970 770	3 199 471	2 222 735
BB-	46 935 571	-	46 935 571	-
BB+	14 742 742	61 457 714	14 742 742	13 700 457
B+	33 510	551 796	33 510	123 009
Unrated	42 351 404	21 965 906	42 351 404	4 896 748
	109 025 469	**98 471 879**	**109 025 469**	**21 951 839**

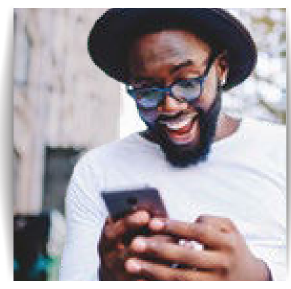
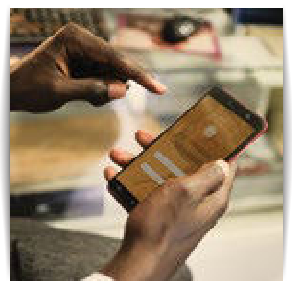
The unrated institutions include Metbank, POSB, Telecash, RBZ and One Wallet. Global Credit Ratings have been used in rating the various cash and cash equivalent balances.

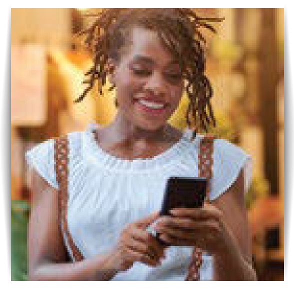
The Microfinance Bank utilises various banks for financial services and deposits. The use of several institutions further manages concentration risk. Deposits with the Reserve Bank of Zimbabwe and other banks are used to facilitate customer transactions including payments and withdrawals. The Microfinance Bank is not licensed to process foreign currency payments for its customers. As at reporting date, all cash balances, were unencumbered and available for use. There is no impairment charge on cash balances as management's view is lower credit ratings for some banks are a result of sovereign risk for the country yet respective banks are actually stable.

5 LOANS AND ADVANCES TO CUSTOMERS

5.1 Loans and advances maturities

	INFLATION ADJUSTED		HISTORICAL COST	
	December 2020 ZWL	December 2019 ZWL	December 2020 ZWL	December 2019 ZWL
Consumer loans				
Maturing within 3 months	13 350 973	26 548 427	13 350 973	5 918 305
Maturing within 3 - 12 months	38 609 265	52 748 835	38 609 265	11 759 028
Maturing 1- 5 years	-	19 050 798	-	4 246 897
Gross carrying amount	51 960 238	98 348 060	51 960 238	21 924 230
Less credit impairment (note 5.6)	(2 356 196)	(6 157 087)	(2 356 196)	(1 376 241)
Specific impairment allowance (note 5.6)	(2 285 354)	(5 666 942)	(2 285 354)	(1 266 683)
Portfolio impairment allowance	(70 842)	(490 145)	(70 842)	(109 558)
Net carrying amount	**49 604 042**	**92 190 973**	**49 604 042**	**20 547 989**
Current (no more than 12 months after reporting date)	49 604 042	73 140 175	49 604 042	16 301 092
Non-current (more than 12 months after reporting date)	-	19 050 798	-	4 246 897
	49 604 042	**92 190 973**	**49 604 042**	**20 547 989**
SME loans				
Maturing within 3 months	15 747 761	22 284 336	15 747 761	4 967 733
Maturing within 3 - 12 months	14 126 459	40 109 766	14 126 459	8 941 465
Maturing 1- 5 years	3 865 489	14 102 418	3 865 489	3 143 780
Gross carrying amount	33 739 709	76 496 520	33 739 709	17 052 978
Less credit impairment	(1 539 631)	(322 837)	(1 539 631)	(72 161)
Specific impairment allowance	(1 530 024)	(317 361)	(1 530 024)	(70 937)
Portfolio impairment allowance	(9 607)	(5 476)	(9 607)	(1 224)
Net carrying amount	**32 200 078**	**76 173 683**	**32 200 078**	**16 980 817**
Current (no more than 12 months after reporting date)	28 334 589	62 071 265	28 334 589	13 837 037
Non-current (more than 12 months after reporting date)	3 865 489	14 102 418	3 865 489	3 143 780
	32 200 078	**76 173 683**	**32 200 078**	**16 980 817**




Notes to the Financial Statements (Continued)
For the year ended 31 December 2020

5 LOANS AND ADVANCES TO CUSTOMERS (CONTINUED)

5.1 Loans and advances maturities (continued)

	INFLATION ADJUSTED		HISTORICAL COST	
	December 2020 ZWL	December 2019 ZWL	December 2020 ZWL	December 2019 ZWL
Mortgage loans				
Maturing within 3 months	90 245	762 988	90 245	170 089
Maturing within 3 - 12 months	195 330	1 438 642	195 330	320 709
Maturing 1- 5 years	83 774	1 190 244	83 774	265 335
Maturing over 5 years	162 286	924 975	162 286	206 200
Gross carrying amount	531 635	4 316 849	531 635	962 333
Less credit impairment	(24 260)	(90 663)	(24 260)	(20 211)
Specific impairment allowance	(24 260)	(90 663)	(24 260)	(20 211)
Portfolio impairment allowance	-	-	-	-
Net carrying amount	507 375	4 226 186	507 375	942 122
Current (no more than 12 months after reporting date)	261 315	2 110 967	261 315	470 587
Non-current (more than 12 months after reporting date)	246 060	2 115 219	246 060	471 535
	507 375	**4 226 186**	**507 375**	**942 122**
Total net carrying amount	**82 311 495**	**172 590 842**	**82 311 495**	**38 470 928**
Current (no more than 12 months after reporting date)	78 199 946	137 322 407	78 199 946	30 608 716
Non-current (more than 12 months after reporting date)	4 111 549	35 268 435	4 111 549	7 862 212
	82 311 495	**172 590 842**	**82 311 495**	**38 470 928**

The maturity analysis of loans and advances is based on the remaining period to contractual maturity from year end. The amount pledged as security by customers to GetBucks for mortgages and SME loans as at 31 December 2020 stood at ZWL16 811 766 (December 2019: ZWL28 046 659). Collateral comprises cession of book debts and mortgage bonds for SME loans (note 30.1). Included in loans and advances are staff loans of ZWL2 242 861 (December 2019: ZWL3 443 516). These loans are extended to staff at commercial and market related terms.

5.2 Irrevocable commitments

There are no irrevocable commitments to extend credit, which can expose the Company to penalties or expenses.

5.3 Sectoral analysis

	December 2020 ZWL	December 2020 %	December 2019 ZWL	December 2019 %
Consumer loans	49 604 042	60%	20 547 989	53%
Small and Medium Enterprises ("SME")	32 200 078	39%	16 980 817	44%
Mortgage loans	507 375	1%	942 122	3%
	82 311 495	**100%**	**38 470 928**	**100%**

Consumer loans relate to deduction at source based loans to civil servants and public sector employee lending. Executive loans also fall under consumer loans. SME relates to loans and advances to small and medium enterprises. Mortgage loans are salary based loans advanced for the purchase of property.

	Single highest customer loan Dec-20 %	Single highest customer loan Dec-19 %	Top 10 highest loans Dec-20 %	Top 10 highest loans Dec-19 %
Customer concentration				
Consumer	0.01	0.02	0.10	0.24
SME	4.7	8.8	29.5	55.9
Mortgage	54.1	29.2	164.1	88.4

5.4 Analysis of credit quality by sector

Pass relates to loans graded 1-3 (there is no distinction in credit quality between grades 1-3) - performing. Special mention relates to loans graded 4 -7. Substandard relates to loans graded 8. Doubtful relates to loans graded 9. Loss relates to loans in grade 10.

The classifications defined above are a result of regulatory requirement in order to guide the users of the financial statements.

INFLATION ADJUSTED	Pass ZWL	Special mention ZWL	Sub-standard ZWL	Doubtful ZWL	Loss ZWL	Total ZWL
As at 31 December 2019						
Consumer	92 885 269	724 266	729 923	401 745	3 606 857	**98 348 060**
SME	46 316 219	13 046 139	10 549 199	583 676	6 001 287	**76 496 520**
Mortgage	2 616 011	735 225	594 510	32 894	338 209	**4 316 849**
	141 817 499	**14 505 630**	**11 873 632**	**1 018 315**	**9 946 353**	**179 161 429**
As at 31 December 2020						
Consumer	48 720 386	1 840 159	291 976	190 099	917 618	**51 960 238**
SME	31 658 303	530 131	349 254	1 504	1 200 517	**33 739 709**
Mortgage	531 635	-	-	-	-	**531 635**
	80 910 324	**2 370 290**	**641 230**	**191 603**	**2 118 135**	**86 231 582**

As at 31 December 2019	Mortgage ZWL	SME ZWL	Consumer ZWL	Total ZWL
Performing loans	2 616 011	46 316 219	92 885 269	**141 817 499**
Non performing loans	1 700 838	30 180 301	5 462 791	**37 343 930**
	4 316 849	**76 496 520**	**98 348 060**	**179 161 429**

As at 31 December 2020	Mortgage ZWL	SME ZWL	Consumer ZWL	Total ZWL
Performing loans	531 635	31 658 303	48 720 387	**80 910 325**
Non performing loans	-	2 081 406	3 239 851	**5 321 257**
	531 635	**33 739 709**	**51 960 238**	**86 231 582**

5 LOANS AND ADVANCES TO CUSTOMERS (CONTINUED)

5.4 Analysis of credit quality by sector (continued)

HISTORICAL COST	Pass ZWL	Special mention ZWL	Sub-standard ZWL	Doubtful ZWL	Loss ZWL	Total ZWL
As at 31 December 2019						
Consumer	20 706 438	161 457	162 718	89 559	804 058	**21 924 230**
SME	10 325 038	2 908 309	2 351 679	130 116	1 337 836	**17 052 978**
Mortgage	583 174	163 900	132 531	7 333	75 395	**962 333**
	31 614 650	**3 233 666**	**2 646 928**	**227 008**	**2 217 289**	**39 939 541**
As at 31 December 2020						
Consumer	48 720 386	1 840 159	291 976	190 099	917 618	**51 960 238**
SME	31 658 303	530 131	349 254	1 504	1 200 517	**33 739 709**
Mortgage	531 635	-	-	-	-	**531 635**
	80 910 324	**2 370 290**	**641 230**	**191 603**	**2 118 135**	**86 231 582**

As at 31 December 2019	Mortgage ZWL	SME ZWL	Consumer ZWL	Total ZWL
Performing loans	583 174	10 325 038	20 706 438	**31 614 650**
Non performing loans	379 159	6 727 940	1 217 792	**8 324 891**
	962 333	**17 052 978**	**21 924 230**	**39 939 541**

As at 31 December 2020	Mortgage ZWL	SME ZWL	Consumer ZWL	Total ZWL
Performing loans	531 635	31 658 303	48 720 387	**80 910 325**
Non performing loans	-	2 081 406	3 239 851	**5 321 257**
	531 635	**33 739 709**	**51 960 238**	**86 231 582**

5.5 Exposure to credit risk

	INFLATION ADJUSTED		HISTORICAL COST	
	December 2020 ZWL	December 2019 ZWL	December 2020 ZWL	December 2019 ZWL
Consumer loans at amortised cost				
Individually impaired				
Grade 8 - 10	1 399 692	4 738 525	1 399 692	1 056 335
Grade 4 - 7	1 840 159	724 266	1 840 159	161 457
Collectively impaired				
Grade 1- 3	48 720 387	92 885 269	48 720 387	20 706 438
Gross carrying amount	51 960 238	98 348 060	51 960 238	21 924 230
Less credit impairment allowance (note 5.6)	(2 356 196)	(6 157 087)	(2 356 196)	(1 376 241)
Carrying amount (note 5.1)	49 604 042	92 190 973	49 604 042	20 547 989
SME loans				
Past due and impaired				
Grade 8 - 10	1 551 275	17 134 162	1 551 275	3 819 631
Grade 4 - 7	530 131	13 046 139	530 131	2 908 309
Grade 1- 3	31 658 303	46 316 219	31 658 303	10 325 038
Gross carrying amount	33 739 709	76 496 520	33 739 709	17 052 978
Less credit impairment allowance (note 5.6)	(1 539 631)	(322 837)	(1 539 631)	(72 161)
Carrying amount	32 200 078	76 173 683	32 200 078	16 980 817
Mortgage loans				
Past due and impaired				
Grade 8 - 10	-	965 613	-	215 259
Grade 4 - 7	-	735 225	-	163 900
Grade 1- 3	531 635	2 616 011	531 635	583 174
Gross carrying amount	531 635	4 316 849	531 635	962 333
Less credit impairment allowance (note 5.6)	(24 260)	(90 663)	(24 260)	(20 211)
Carrying amount	507 375	4 226 186	507 375	942 122
Gross carrying amount SME, Mortgages and Consumer Loans	86 231 582	179 161 429	86 231 582	39 939 541
- Measured at 12 month Expected Credit losses	65 880 929	136 879 330	65 880 929	30 513 809
- Measured at lifetime Expected Credit losses	20 350 653	42 282 099	20 350 653	9 425 732
Less credit impairment allowance (note 5.6)	(3 920 087)	(6 570 587)	(3 920 087)	(1 468 613)
Net carrying amount	82 311 495	172 590 842	82 311 495	38 470 928
Impairment as a percentage of gross loans and advances	-4.5%	-3.7%	-4.5%	-3.7%

The gross carrying amount of the loan book disaggregated between stages 1 to 3 is below.

The IFRS 9 model uses a segmented approach were loans with clear and distinct risk characteristics are grouped separately. Loans are grouped by collection method as well as product type. Collection method implies that payroll loans are separated from non payroll loans as they are known to behave differently. Secondly, personal, SME and mortgage loans are grouped separately.

For expected credit loss provisions modelled on a collective basis, a grouping of exposure is performed on the basis of shared risk characteristics, such that risk exposures with a group are homogeneous. In performing this grouping, there must be sufficient information for the group to be statistically credible.

The characteristics and any supplementary data used to determine groupings are outlines below:

Consumer loans - Groupings for collective measurement
- Collection method (i.e payroll based loans)

SME, personal and mortgage loans - Groups for collective measurement
- Product type (i.e finance a purchase of immovable properties and order financing)
- Collateral type

Gross carrying amount reconciliations have been prepared based on historical numbers as management's view is that restated numbers for reconciliations might not reflect a different position.

GETBUCKS ZW 1953/07

Directors: Dr. R. Mbire (Board Chairman), G. Nheweyembwa* (Managing Director), G. Mugani* (Interim Chief Finance Officer), W.T. Kambwanji, J. Machiva, R.T.L. Matsika, P. Soko. *Executive
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Notes to the Financial Statements (Continued)
For the year ended 31 December 2020

5 LOANS AND ADVANCES TO CUSTOMERS (CONTINUED)

5.5 Exposure to credit risk (continued)

Consumer loans

HISTORICAL COST				
As at 31 December 2019	**Stage 1 12-month ECL**	**Stage 2 Lifetime ECL**	**Stage 3 Lifetime ECL**	**Total**
Outstanding balance as at 01 July 2019	**21 265 412**	**1 679 044**	**837 738**	**23 782 194**
Financial assets derecognised during the period other than write offs	(7 850 849)	(644 233)	(121 913)	(8 616 995)
Transfers:				
Transfers from stage 1 to stage 2	(591 739)	591 739	-	-
Transfers from stage 2 to stage 1	272 702	(272 702)	-	-
Transfers from stage 1 to stage 3	(188 955)	-	188 955	-
Transfers from stage 2 to stage 3	-	(337 493)	337 493	-
Transfers from stage 3 to stage 2	-	4 447	(4 447)	-
New financial assets originated	6 996 910	-	-	6 996 910
Write offs	-	-	(237 879)	(237 879)
Outstanding balance as at 31 December 2019	**19 903 481**	**1 020 802**	**999 947**	**21 924 230**

HISTORICAL COST				
As at 31 December 2020	**Stage 1 12-month ECL**	**Stage 2 Lifetime ECL**	**Stage 3 Lifetime ECL**	**Total**
Outstanding balance as at 01 January 2020	**19 903 481**	**1 020 802**	**999 947**	**21 924 230**
Financial assets derecognised during the period other than write offs	(15 045 189)	(2 568 750)	(853 741)	(18 467 680)
Transfers:				
Transfers from stage 1 to stage 2	(1 313 649)	1 313 649	-	-
Transfers from stage 2 to stage 1	(6 213 331)	6 213 331	-	-
Transfers from stage 1 to stage 3	(1 458 842)	-	1 458 842	-
Transfers from stage 3 to stage 1	-	-	-	-
Transfers from stage 2 to stage 3	-	(305 315)	305 315	-
Transfers from stage 3 to stage 2	-	-	-	-
New financial assets originated	49 186 351	-	-	49 186 351
Write offs	-	-	(682 663)	(682 663)
Outstanding balance as at 31 December 2019	**45 058 821**	**5 673 717**	**1 227 700**	**51 960 238**

SME loans

HISTORICAL COST				
As at 31 December 2019	**Stage 1 12-month ECL**	**Stage 2 Lifetime ECL**	**Stage 3 Lifetime ECL**	**Total**
Outstanding balance as at 1 July 2019	**9 228 836**	**3 493 506**	**774 143**	**13 496 485**
Financial assets derecognised during the period other than write offs	(8 611 770)	(2 351 627)	(2 206 259)	(13 169 656)
Transfers:				
Transfers from stage 1 to stage 2	(4 237 347)	4 237 347	-	-
Transfers from stage 2 to stage 1	866 412	(866 412)	-	-
Transfers from stage 1 to stage 3	(2 173 290)	-	2 173 290	-
Transfers from stage 3 to stage 1	-	-	-	-
Transfers from stage 2 to stage 3	-	(347 991)	347 991	-
Transfers from stage 3 to stage 2	-	-	-	-
New financial assets originated	16 726 149	-	-	16 726 149
Write offs	-	-	-	-
Outstanding balance as at 31 December 2019	**11 798 989**	**4 164 823**	**1 089 165**	**17 052 978**

HISTORICAL COST				
As at 31 December 2020	**Stage 1 12-month ECL**	**Stage 2 Lifetime ECL**	**Stage 3 Lifetime ECL**	**Total**
Outstanding balance as at 01 January 2020	**11 798 989**	**4 164 823**	**1 089 165**	**17 052 977**
Financial assets derecognised during the period other than write offs	(10 107 402)	(3 830 919)	(39 776)	(13 978 097)
Transfers:				
Transfers from stage 1 to stage 2	(395 386)	395 386	-	-
Transfers from stage 2 to stage 1	3 624 787	(3 624 787)	-	-
Transfers from stage 1 to stage 3	(94 670)	-	94 670	-
Transfers from stage 3 to stage 1	95 211	-	(95 211)	-
Transfers from stage 2 to stage 3	-	(161 275)	161 275	-
Transfers from stage 3 to stage 2	-	-	-	-
New financial assets originated	30 664 829	-	-	30 664 829
Write offs	-	-	-	-
Outstanding balance as at 31 December 2020	**35 586 358**	**(3 056 772)**	**1 210 123**	**33 739 709**

Mortgage loans

HISTORICAL COST				
As at 31 December 2019	**Stage 1 12-month ECL**	**Stage 2 Lifetime ECL**	**Stage 3 Lifetime ECL**	**Total**
Outstanding balance as at 1 July 2019	**309 168**	**366 348**	**517 726**	**1 193 242**
Financial assets derecognised during the period other than write offs	(571 383)	(88 728)	(140 031)	(800 142)
Transfers:				
Transfers from stage 1 to stage 2	(70 474)	70 474	-	-
Transfers from stage 2 to stage 1	277 620	(277 620)	-	-
Transfers from stage 1 to stage 3	-	-	-	-
Transfers from stage 3 to stage 1	-	-	-	-
Transfers from stage 2 to stage 3	-	-	-	-
Transfers from stage 3 to stage 2	-	-	-	-
Changes in static loans	-	-	-	-
New financial assets originated	569 233	-	-	569 233
Write offs	-	-	-	-
Outstanding balance as at 30 June 2019	**514 164**	**70 474**	**377 695**	**962 333**

5 LOANS AND ADVANCES TO CUSTOMERS (CONTINUED)

5.5 Exposure to credit risk (continued)

Mortgage loans (continued)

HISTORICAL COST				
As at 31 December 2020	**Stage 1 12-month ECL**	**Stage 2 Lifetime ECL**	**Stage 3 Lifetime ECL**	**Total**
Outstanding balance as at 01 January 2020	**514 164**	**70 474**	**377 695**	**962 333**
Financial assets derecognised during the period other than write offs	(1 591 313)	(603 142)	(6 262)	(2 200 717)
Transfers:				
Transfers from stage 1 to stage 2	(62 250)	62 250	-	-
Transfers from stage 2 to stage 1	570 688	(570 688)	-	-
Transfers from stage 1 to stage 3	(14 905)	-	14 905	-
Transfers from stage 3 to stage 1	14 990	-	(14 990)	-
Transfers from stage 2 to stage 3	-	(25 391)	25 391	-
Transfers from stage 3 to stage 2	-	-	-	-
New financial assets originated	1 770 019	-	-	1 770 019
Write offs	-	-	-	-
Outstanding balance as at 31 December 2020	**1 201 393**	**(1 066 497)**	**396 739**	**531 635**

Amounts disclosed above as past due and impaired are the total amounts with a loan class where a portion of the loans and advances are considered impaired.

Not all past due amounts have been fully provided as there is a history of repayment in those classes that has been considered in determining possible impairment.

5.6 Impairment loss on loans and advances

	INFLATION ADJUSTED		HISTORICAL COST	
	December 2020 ZWL	**December 2019 ZWL**	**December 2020 ZWL**	**December 2019 ZWL**
Consumer loans				
Balances as at 1 January 2020	6 157 087	5 352 259	1 376 241	1 196 992
Increase in expected credit loss	1 785 439	2 722 036	1 785 439	606 244
Loans written off	(805 484)	(1 917 208)	(805 484)	(426 995)
Effects of inflation	(4 780 846)	-	-	-
Balances as at 31 December 2020	**2 356 196**	**6 157 087**	**2 356 196**	**1 376 241**
SME loans				
Balances as at 1 January 2020	322 837	336 033	72 161	75 100
Increase in expected credit loss	1 467 470	(13 196)	1 467 470	(2 939)
Loans written off	-	-	-	-
Effects of inflation	(250 676)	-	-	-
Balances as at 31 December 2020	**1 539 631**	**322 837**	**1 539 631**	**72 161**
Mortgage loans				
Balances as at 1 January 2020	90 663	33 366	20 211	7 450
Increase in expected credit loss	4 049	57 297	4 049	12 761
Loans written off	-	-	-	-
Effects of inflation	(70 452)	-	-	-
Balances as at 31 December 2020	**24 260**	**90 663**	**24 260**	**20 211**
Total loans				
Balances as at 1 January 2020	6 570 587	5 721 658	1 468 613	1 279 542
Increase in expected credit loss	3 256 958	2 766 136	3 256 958	616 066
Loans written off	(805 484)	(1 917 208)	(805 484)	(426 995)
Effects of inflation	(5 101 974)	-	-	-
Total Balances as at 31 December 2020	**3 920 087**	**6 570 587**	**3 920 087**	**1 468 613**

Loss allowance movement

Consumer loans

HISTORICAL COST				
As at 31 December 2019	**Stage 1 12-month ECL ZWL**	**Stage 2 Lifetime ECL ZWL**	**Stage 3 Lifetime ECL ZWL**	**Total ZWL**
Loss allowance as at 1 July 2019	**787 152**	**40 769**	**369 072**	**1 196 993**
Financial assets derecognised during the period other than write offs	(11 688)	(50 280)	(69 997)	**(131 965)**
Transfers:				
Transfers from stage 1 to stage 2	(88 914)	218 516	-	**129 602**
Transfers from stage 2 to stage 1	961	(51 212)	-	**(50 251)**
Transfers from stage 1 to stage 3	(250 115)	-	425 338	**175 223**
Transfers from stage 3 to stage 1	-	-	-	**-**
Transfers from stage 2 to stage 3	-	(109 107)	109 107	**-**
Transfers from stage 3 to stage 2	-	3 262	(3 262)	**-**
Changes in PDs/LGDs/EADs	(81 860)	(43 864)	(23 785)	**(149 509)**
New financial assets originated	633 143	-	-	**633 143**
Write offs	-	-	(426 995)	**(426 995)**
Loss allowance as at 31 December 2019	**988 679**	**8 084**	**379 478**	**1 376 241**

HISTORICAL COST				
As at 31 December 2020	**Stage 1 12-month ECL**	**Stage 2 Lifetime ECL**	**Stage 3 Lifetime ECL**	**Total**
Loss allowance as at 1 January 2020	**988 679**	**8 084**	**379 478**	**1 376 241**
Financial assets derecognised during the period other than write offs	(76 234)	(242 508)	(350 629)	**(669 371)**
Transfers:				
Transfers from stage 1 to stage 2	(11 180)	10 023	-	**(1 157)**
Transfers from stage 2 to stage 1	2	(7 048)	-	**(7 046)**
Transfers from stage 1 to stage 3	(4 431)	-	290 143	**285 712**
Transfers from stage 3 to stage 1	-	-	-	**-**
Transfers from stage 2 to stage 3	-	(60 840)	91 549	**30 709**
Transfers from stage 3 to stage 2	-	-	-	**-**
Changes in PDs/LGDs/EADs	184 700	(45 091)	(126 204)	**13 405**
New financial assets originated	70 355	1 049 426	689 292	**1809 073**
Write offs	(335)	(38 135)	(442 900)	**(481 370)**
Loss allowance as at 31 December 2020	**1 151 556**	**673 911**	**530 729**	**2 356 196**

Notes to the Financial Statements (Continued)
For the year ended 31 December 2020

5 LOANS AND ADVANCES TO CUSTOMERS (CONTINUED)

5.6 Impairment loss on loans and advances (continued)

Loss allowance movement (continued)

SME loans

	HISTORICAL COST			
As at 31 December 2019	**Stage 1 12-month ECL**	**Stage 2 Lifetime ECL**	**Stage 3 Lifetime ECL**	**Total**
Loss allowance as at 1 July 2019	**61 506**	**2 179**	**11 415**	**75 100**
Financial assets derecognised during the period other than write offs	(1 383)	(1 441)	(540)	(3 364)
Transfers:				
Transfers from stage 1 to stage 2	(3 604)	4 390	-	786
Transfers from stage 2 to stage 1	-	(120)	-	(120)
Transfers from stage 1 to stage 3	(3 794)	-	21 200	17 406
Transfers from stage 3 to stage 1	-	-	-	-
Transfers from stage 2 to stage 3	-	(430)	430	-
Changes in PDs/LGDs/EADs	(19 736)	(89)	(2 083)	(21 908)
New financial assets originated	4 261	-	-	4 261
Write offs	-	-	-	-
Loss allowance as at 31 December 2019	**37 250**	**4 489**	**30 422**	**72 161**

	HISTORICAL COST			
As at 31 December 2020	**Stage 1 12-month ECL**	**Stage 2 Lifetime ECL**	**Stage 3 Lifetime ECL**	**Total**
Loss allowance as at 1 January 2020	**37 250**	**4 489**	**30 422**	**72 161**
Financial assets derecognised during the period other than write offs	(1 190)	(2 427)	(56 568)	(60 185)
Transfers:				
Transfers from stage 1 to stage 2	-	20 948	-	20 948
Transfers from stage 2 to stage 1	20	(1 968)	-	(1 948)
Transfers from stage 1 to stage 3	-	-	25 245	25 245
Transfers from stage 2 to stage 3	-	(24)	68 137	68 113
Changes in PDs/LGDs/EADs	(3 117)	12 421	1 233 518	1 242 822
New financial assets originated	8 562	122 755	41 158	172 475
Write offs	-	-	-	-
Loss allowance as at 31 December 2020	**41 525**	**156 194**	**1 341 912**	**1 539 631**

Mortgage loans

	HISTORICAL COST			
As at 31 December 2019	**Stage 1 12-month ECL**	**Stage 2 Lifetime ECL**	**Stage 3 Lifetime ECL**	**Total**
Loss allowance as at 1 July 2019	**-**	**-**	**7 450**	**7 450**
Financial assets derecognised during the period other than write offs	-	-	-	-
Transfers:				
Transfers from stage 1 to stage 2	-	-	-	-
Transfers from stage 2 to stage 1	-	-	-	-
Transfers from stage 1 to stage 3	(11 980)	-	11 980	-
Transfers from stage 3 to stage 1	-	-	-	-
Transfers from stage 2 to stage 3	-	-	-	-
Transfers from stage 3 to stage 2	-	-	-	-
Changes in PDs/LGDs/EADs	-	-	-	-
New financial assets originated	12 761	-	-	12 761
Write offs	-	-	-	-
Loss allowance as at 31 December 2019	**781**	**-**	**19 430**	**20 211**

	HISTORICAL COST			
As at 31 December 2020	**Stage 1 12-month ECL**	**Stage 2 Lifetime ECL**	**Stage 3 Lifetime ECL**	**Total**
Loss allowance as at 1 January 2020	**781**	**-**	**19 430**	**20 211**
Financial assets derecognised during the period other than write offs	(187)	(382)	(8 906)	(9 475)
Transfers:				
Transfers from stage 1 to stage 2	-	3 298	-	3 298
Transfers from stage 2 to stage 1	3	(310)	-	(307)
Transfers from stage 1 to stage 3	-	-	3 975	3 975
Transfers from stage 3 to stage 1	-	-	-	-
Transfers from stage 2 to stage 3	-	(4)	10 728	10 724
Transfers from stage 3 to stage 2				-
Changes in PDs/LGDs/EADs	(227 483)	1 956	194 206	(31 321)
New financial assets originated	1 348	19 327	6 480	27 155
Write offs	-	-	-	-
Loss allowance as at 31 December 2020	**(225 538)**	**23 885**	**225 913**	**24 260**

Gross carrying amounts of the instruments changed mainly as a result of factors below:
- Increased disbursement of consumer loans resulting in an increase in Stage 1 provision.
- Increased lending to the SME sector which resulted in an increase in lifetime expected credit losses.

All loans and advances are denominated in ZWL.

5.7 Credit risk impact
The table below lists the key risks affecting impairment of loans and advances, along with the anticipated impact on profit or loss should the risk materialise:

	INFLATION ADJUSTED	
	December 2020 ZWL	**December 2019 ZWL**
Effect of increase in emergence period by 1 month		
Increase in provision (consumer)	21 168	41 292
Effect of increase in loss ratio by % of portfolio		
Increase in provision by 5% (consumer)	198 754	403 033
Increase in provision by 5% (SME)	(2 750)	20 720

6 OTHER ASSETS

	INFLATION ADJUSTED		HISTORICAL COST	
	December 2020 ZWL	**December 2019 ZWL**	**December 2020 ZWL**	**December 2019 ZWL**
6.1 Financial assets at amortised cost				
Opening balance	57 574 538	-	12 822 837	-
Additions/(repayments)	(13 445 790)	53 880 000	(13 445 790)	12 000 000
Interest charge	978 036	3 694 538	622 953	822 837
Effects of inflation	(45 106 784)	-	-	-
	-	57 574 538	-	12 822 837
Current (no more than 12 months after reporting date)	-	57 574 538	-	12 822 837
Non-current (more than 12 months after reporting date)	-	-	-	-
	-	57 574 538	-	12 822 837

Financial assets as at December 2019 were all paid off durig the year 2020.

	INFLATION ADJUSTED		HISTORICAL COST	
	December 2020 ZWL	**December 2019 ZWL**	**December 2020 ZWL**	**December 2019 ZWL**
6.2 Other Assets				
Prepayments	6 712 384	35 211 128	4 613 690	4 056 439
Consumables	2 589 675	5 469 595	251 455	303 074
Deposits	54 480	200 358	54 480	44 667
Sundry receivables	4 786 015	3 662 912	4 786 015	713 893
Total	**14 142 554**	**44 543 993**	**9 705 640**	**5 118 073**

Consumables relate to ATM cards that that have not yet been issued to customers and will be held as inventory. Consumables are held at the lower of cost or net realisable value. Deposits mainly relate to the branch and rental deposits. Sundry receivables are mainly constituted of receivables from MBC Holdings ("MBCH"), prepaid income tax and credit life commission. Management has assessed MBCH receivable for impairment and the impact is considered to be immaterial.

7 TAX RECEIVABLE

	INFLATION ADJUSTED		HISTORICAL COST	
	December 2020 ZWL	**December 2019 ZWL**	**December 2020 ZWL**	**December 2019 ZWL**
Opening balance	4 784 515	11 707 297	1 066 589	732 147
Tax charge for the year	-	(7 669 884)	-	(141 419)
Tax paid during the year	-	747 102	-	475 861
Closing balance	**4 784 515**	**4 784 515**	**1 066 589**	**1 066 589**

Tax receivable relates to provisional tax payments that were above the actual final tax payable for the period. Tax is paid quarterly based on Quarterly Payment Dates (QPD) based on budgeted profit. The budgeted tax profits have been more than actual profit due to changes in application of tax relating to prepaid expenses that are no longer taxed using cash accounting basis. Tax receivable will be set off against future income taxes.

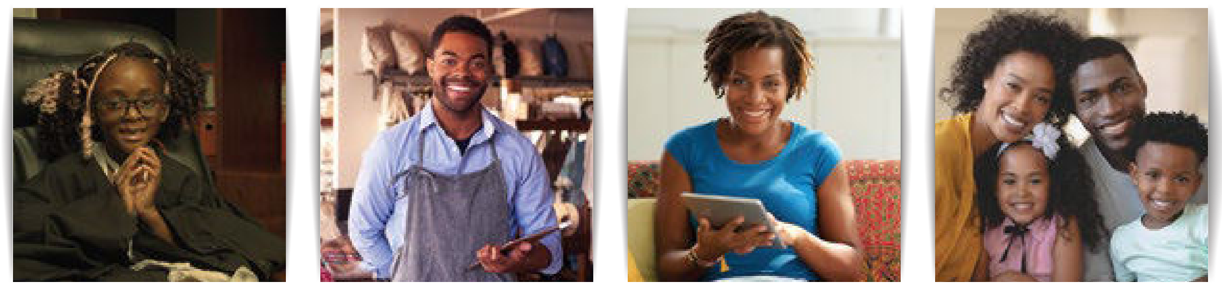
	INFLATION ADJUSTED		HISTORICAL COST	
	December 2020 ZWL	**December 2019 ZWL**	**December 2020 ZWL**	**December 2019 ZWL**
Deferred tax liability				
Accelerated capital allowance for tax purposes	(5 807 204)	(9 507 278)	2 826	(524 528)
Investment property revaluation	(29 027 416)	(36 225 429)	(35 877 887)	(5 530 463)
Total deferred tax liability	**(34 834 620)**	**(45 732 707)**	**(35 875 061)**	**(6 054 991)**
Deferred tax asset				
EIR adjustment on loan book	(412 984)	(30 001 221)	(412 983)	774 604
Accrued expenses	1 778 689	1 588 492	1 778 689	328 539
Assessed tax loss	12 596 709	-	5 673 730	-
Expected credit loss on loans and advances	969 046	1 628 535	969 046	378 168
Total deferred tax asset/(liability)	**14 931 460**	**(26 784 194)**	**8 008 483**	**1 481 311**
Net deferred tax asset/(liability)	**(19 903 160)**	**(72 516 901)**	**(27 866 579)**	**(4 573 680)**
Reconciliation of deferred tax asset/(liability)				
At beginning of year	(72 516 901)	(16 588 651)	(4 573 680)	(1 157 078)
Temporary differences recognised in the statement of profit or loss	38 426 712	(42 595 842)	(23 292 899)	(3 416 602)
Effects of inflation	14 187 029	(13 332 408)	-	-
At end of year	**(19 903 160)**	**(72 516 901)**	**(27 866 579)**	**(4 573 680)**
9 INVESTMENT PROPERTIES				
Opening balance	153 140 430	186 172 355	34 107 000	12 985 742
Fair value adjustment	(3 722 088)	(46 674 379)	116 527 789	19 122 174
Additions	3 361 658	13 642 454	2 145 211	1 999 084
Closing Balance	**152 780 000**	**153 140 430**	**152 780 000**	**34 107 000**

Valuation process
Investment properties was valued by Dawn Property Consultancy (Private) Limited in accordance with the relevant professional guidelines and statements issued under the Royal Institute of Chartered Surveyors (RICS) Valuation - Professional Standards 2017 (the "Red Book"); International Valuation Standards ("IVS") and the Real Estate Institute of Zimbabwe "REIZ" standard. Please refer to note 3.3 for more detail regarding valuation assumptions.

The Microfinance Bank purchased investment properties which are held for both capital appreciation and rentals. Investment properties are carried at fair value determined on an open market basis by an independent professional valuer as at 31 December 2020 in the Real Estate Institute of Zimbabwe Standards.

Rental values used for similar properties were based on properties that were not new but the property is forecast to fetch a premium once complete. The rental income used for comparison in the implicit investment approach was based on older properties. Location of the property is an additional unobservable factor as it is in a prime location.

Valuations rely on historical market evidence for calculation inputs. These include transaction prices for comparable properties and rent and capitalisation rates. Such market evidence does not exist at present to directly calculate Zimbabwean Dollar values. Therefore, the Microfinance Bank through its valuation expert, have adopted the approach for the meanwhile of converting USD valuation inputs at the Inter-Bank Foreign Exchange Auction Rate of the day to calculate ZWL property values.



Notes to the Financial Statements (Continued)
For the year ended 31 December 2020

9 INVESTMENT PROPERTIES (CONTINUED)

Valuation process (continued)

For the performance of a valuation, the key inputs for the valuation of non-residential investment properties are the rent income and the capitalisation rate. No trends for the ZWL rents have yet been established neither is there easily verifiable market evidence of ZWL transactions to enable analysis of the yields. It is unlikely that ZWL rent movements will mirror the activity on the inter-bank foreign exchange market. In addition, the property market will price the risk associated with the ZWL which is not a fully convertible currency, and this will be reflected through the capitalisation rates.

Sensitivity of property valuation

	31 Dec 2020 ZWL	Effect on profit before tax 31 Dec 2020 ZWL	31 Dec 2019 ZWL	Effect on profit before tax 31 Dec 2019 ZWL
Valuation change				
5% increase in valuation	152 780 000	7 639 000	34 107 000	1 705 350
Net effect	**-**	**7 639 000**	**-**	**1 705 350**

Property values are also sensitive to foreign exchange rate movements which is demonstrated below;

	31 Dec 2019	31 Dec 2020
USD values of investment properties at the time of valuation	1 923 000	1 867 600
inter-bank foreign exchange market rate	15.050	81.790
ZWL property values as a result of direct conversion	28 941 150	152 751 004
Investment properties value at year end	152 780 000	152 780 000
Difference	**(123 838 850)**	**(28 996)**

10 LEASES

	INFLATION ADJUSTED		HISTORICAL COST	
	December 2020 ZWL	December 2019 ZWL	December 2020 ZWL	December 2019 ZWL
Right of use asset				
Buildings				
Opening carrying amount	**6 760 420**	**159 768**	**943 549**	**11 144**
Additions	-	383 208	-	56 107
Prior period adjustment **(note 34)**	-	6 819 450	-	998 463
Disposals	(341 665)	-	(21 399)	-
Amortisation charge	(746 847)	(602 006)	(252 238)	(122 165)
Carrying amount	**5 671 908**	**6 760 420**	**669 912**	**943 549**
Cost	7 020 761	7 362 426	1 050 393	1 071 792
Accumulated amortisation	(1348 853)	(602 006)	(380 481)	(128 243)
Carrying amount	**5 671 908**	**6 760 420**	**669 912**	**943 549**

11 EQUIPMENT

	INFLATION ADJUSTED					
	Furniture and fittings ZWL	Motor vehicles ZWL	Office equipment ZWL	IT equipment ZWL	Leasehold improve-ments ZWL	Total ZWL
Year ended 31 December 2019						
Opening carrying amount	3 752 779	198 864	12 211 334	6 718 007	2 269 998	25 150 982
Additions	855 763	1 877 184	2 347 154	7 426 079	2 698 429	15 204 609
Disposals	-	-	-	-	-	-
Depreciation charge	(592 123)	(159 828)	(1 488 116)	(2 418 562)	(806 165)	(5 464 794)
						-
Carrying amount	**4 016 419**	**1 916 220**	**13 070 372**	**11 725 524**	**4 162 262**	**34 890 797**
						-
Cost	8 987 443	7 212 142	16 072 563	21 469 630	12 575 025	66 316 803
Accumulated depreciation	(4 971 024)	(5 295 922)	(3 002 191)	(9 744 106)	(8 412 763)	(31 426 006)
						-
Carrying amount	**4 016 419**	**1 916 220**	**13 070 372**	**11 725 524**	**4 162 262**	**34 890 797**
Year ended 31 December 2020						
Opening carrying amount	4 016 419	1 916 220	13 070 372	11 725 524	4 162 262	34 890 797
Additions	383 742	-	1 071 336	4 814 040	1 497 125	7 766 243
Disposals	-	-	(5 623 247)	(14 733)	-	(5 637 980)
Depreciation on disposal	-	-	1 574 712	7 724	-	1 582 436
Depreciation charge	(1 091 616)	(423 586)	(1 779 041)	(6 866 088)	(2 104 532)	(12 264 863)
Carrying amount	**3 308 545**	**1 492 634**	**8 314 132**	**9 666 467**	**3 554 855**	**26 336 633**
Cost	9 371 185	7 212 142	11 520 652	26 268 937	14 072 150	68 445 066
Accumulated depreciation	(6 062 640)	(5 719 508)	(3 206 520)	(16 602 470)	(10 517 295)	(42 108 433)
Carrying amount	**3 308 545**	**1 492 634**	**8 314 132**	**9 666 467**	**3 554 855**	**26 336 633**

11 EQUIPMENT (CONTINUED)

	HISTORICAL COST					
	Furniture and fittings ZWL	Motor vehicles ZWL	Office equipment ZWL	IT equipment ZWL	Leasehold improve-ments ZWL	Total ZWL
Year ended 31 December 2019						
Opening carrying amount	108 668	5 484	830 740	430 592	92 059	1 467 543
Additions	99 185	359 050	317 786	1 085 843	311 417	2 173 281
Disposals	-		-	-	-	-
Depreciation charge	(20 891)	(14 419)	(102 385)	(181 922)	(53 794)	(373 411)
Carrying amount	**186 962**	**350 115**	**1 046 141**	**1 334 513**	**349 682**	**3 267 413**
Cost	321 130	494 542	1 181 995	1 754 413	593 708	4 345 788
Accumulated depreciation	(134 168)	(144 427)	(135 854)	(419 900)	(244 026)	(1 078 375)
Carrying amount	**186 962**	**350 115**	**1 046 141**	**1 334 513**	**349 682**	**3 267 413**
Year ended 31 December 2020						
Opening carrying amount	186 962	350 115	1 046 141	1 334 513	349 682	3 267 413
Additions	353 680	-	476 195	585 705	613 449	2 029 029
Disposals	-	-	(392 228)	(9 402)	-	(401 630)
Depreciation on disposal	-	-	109 838	4 929	-	114 767
Depreciation charge	(53 026)	(75 026)	(277 438)	(690 703)	(238 467)	(1 334 660)
Carrying amount	**487 616**	**275 089**	**962 508**	**1 225 042**	**724 664**	**3 674 919**
Cost	674 810	484 542	1 265 962	2 330 716	1 207 157	5 963 187
Accumulated depreciation	(187 194)	(209 453)	(303 454)	(1 105 674)	(482 493)	(2 288 268)
Carrying amount	**487 616**	**275 089**	**962 508**	**1 225 042**	**724 664**	**3 674 919**

12 INTANGIBLE ASSETS

	INFLATION ADJUSTED		HISTORICAL COST	
	December 2020 ZWL	December 2019 ZWL	December 2020 ZWL	December 2019 ZWL
Software				
Opening carrying amount	4 703 525	3 835 759	434 481	224 414
Additions	147 699	2 015 830	38 212	264 792
Amortisation charge	(1 834 305)	(1 148 064)	(178 039)	(54 725)
Carrying amount	**3 016 919**	**4 703 525**	**294 654**	**434 481**
Cost	10 462 330	10 314 631	614 205	575 993
Accumulated amortisation	(7 445 411)	(5 611 106)	(319 551)	(141 512)
Carrying amount	**3 016 919**	**4 703 525**	**294 654**	**434 481**
13 EQUITY				
13.1 Share Capital				
Authorised 20 000 000 000 ordinary shares with nominal value of ZWL0.0000001	2 000	2 000	2 000	2 000
Issued 1 163 118 377 ordinary shares with nominal value of ZWL0.0000001	4 580	4 580	116	116
Basic and Diluted Earnings	(44 791 146)	(17 318 905)	79 000 739	18 409 810
Number of shares used to calculate basic and diluted earnings per share	1 163 118 377	1 163 118 377	1 163 118 377	1 163 118 377
Basic and Diluted Earnings per share (cents)	(3.85)	(1.49)	6.79	1.58
Headline earnings per share	(3.23)	1.97	-0.44	0.40

Number of shares in issue

A share split of authorised share capital was done on 12 October 2015. 2000 ordinary shares were split into 20 000 000 000 (twenty billion shares). The share split resulted in the issued share capital being 1 000 000 000 shares (one billion shares). The share split resulted in the issued share capital being 1 000 000 000 shares in October 2015 and following an initial public offering in January 2016 the number of shares in issue increased to 1 093 567 251. A rights issue was done during the year ended 31 December 2019 and the issued shares increased to 1 163 118 377.

Unissued share capital

The unissued share capital is under the control of the Directors subject to restrictions imposed by the Zimbabwe Companies and other Business Entities Act (Chapter 24:31) and the Articles and Memorandum of Association of the Microfinance Bank.

13.2 Share premium

The reserve relates to amounts received in the issue of shares that is in excess of their nominal value. This amount forms part of the non-distributable reserves of the Microfinance Bank and thus will not be available for the payment of dividends.

Balance at 31 December	**268 509 631**	**268 509 631**	**8 562 235**	**8 562 235**

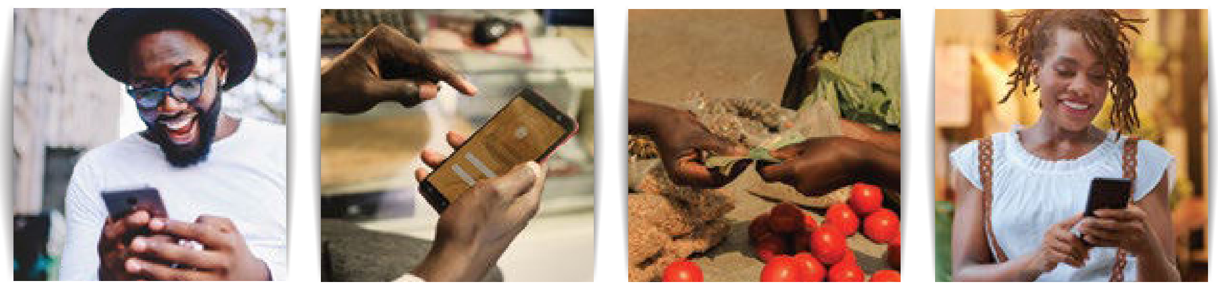
13.3 Regulatory reserve

The reserve relates to an impairment allowance adjustment that is created in order to match RBZ Regulatory requirements. The reserve is created when the IFRS provision is less than the statutory provision. This will allow the Microfinance Bank to be adequately prepared in the case that the risk materialises to the extent that is prescribed by regulation.

Balance at 31 December	**-**	**89 245**	**-**	**19 894**

13.5 Other reserves

These relate to equity settled share based payments which were issued by the Microfinance Bank to the employees. They had been measured at fair value of the equity instruments at grant date. These reserves have been extinguished by reallocating the balance to retained earnings because there is no longer expectation that the options will be exercised.



GetBucks Microfinance Bank

FINANCIAL STATEMENTS For the Year Ended 31 December 2020 GETBUCKS MICROFINANCE BANK LIMITED

Notes to the Financial Statements (Continued)

For the year ended 31 December 2020

14 DEPOSITS FROM CUSTOMERS

	INFLATION ADJUSTED		HISTORICAL COST	
	December 2020 ZWL	**December 2019 ZWL**	**December 2020 ZWL**	**December 2019 ZWL**
Deposits from customers are primarily composed of amounts payable on demand.				
Individual				
Current accounts	1 420 521	1 549 172	1 420 521	345 349
Small and medium enterprises				
Current accounts	112 823 806	52 503 042	112 823 806	11 704 235
Term deposits	2 496 821	3 002 751	2 496 821	669 388
	115 320 627	55 505 793	115 320 627	12 373 623
Total	**116 741 148**	**57 054 965**	**116 741 148**	**12 718 972**
Current (not more than 12 months after reporting date)	116 531 560	56 114 792	116 531 560	12 509 384
Non-current (more than 12 months after reporting date)	209 588	940 173	209 588	209 588
Total	**116 741 148**	**57 054 965**	**116 741 148**	**12 718 972**

Deposits due to customers only include financial instruments classified as liabilities at amortised cost. Fair value of deposits approximates carrying amounts.

The significant increase in deposits was mainly driven by the movement in exchange rate as a portion of deposits are denominated in foreign currency. The exchange rate moved by 395% between December 2019 and December 2020. Further, the Microfinance Bank's strategic decision to disburse loans into accounts held with the Microfinance Bank and domiciliation requirements for SME loans also contributed to the increase.

15 OTHER FINANCIAL LIABILITIES

		INFLATION ADJUSTED		HISTORICAL COST	
	Note	**December 2020 ZWL**	**December 2019 ZWL**	**December 2020 ZWL**	**December 2019 ZWL**
Payroll liabilities		916 808	1 943 444	916 808	433 242
Leave pay provision		821 326	1 253 150	821 326	279 098
Accounting and audit fees provision		6 374 018	4 061 479	6 374 018	904 561
Lease liabilities	15.1	1 284 931	5 701 943	1 284 931	1 269 921
Remittances		9 963 429	10 540 775	9 963 429	2 349 801
Accruals and other liabilities		6 470 462	4 308 711	6 470 462	960 519
Statutory fees		-	1 167 508	-	260 024
		25 830 974	**28 977 010**	**25 830 974**	**6 457 166**

Accruals and other liabilities includes ZWL9 963 429 due to foreign currency remittances. All the accruals are payable within the next 12 months except for the lease liability disclosed in **note 15.1**.

Fair value of other financial liabilities

The carrying amounts of other payables are denominated in ZWL.
The gross amounts approximate fair values.

		INFLATION ADJUSTED		HISTORICAL COST	
	Note	**December 2020 ZWL**	**December 2019 ZWL**	**December 2020 ZWL**	**December 2019 ZWL**
15.1 Lease liabilities					
The financial statements shows the following amounts relating to lease labilities;					
Current		221 453	494 830	221 453	110 207
Non-current		1 063 478	5 207 113	1 063 478	1 159 714
		1 284 931	**5 701 943**	**1 284 931**	**1 269 921**
16 BORROWINGS					
Held at amortised cost					
Ecobank Zimbabwe Limited Facility	16.1	993 766	11 869 974	993 766	2 646 113
Everprosperous World Wide Limited promissory note	16.2	74 402 008	1 749 468	74 402 008	390 000
Medium Term Bonds	16.3	2 900 571	2 696 608	2 900 571	601 141
NMB Bank Limited Facility	16.4	10 712 068	35 797 760	10 712 068	7 980 212
Reserve Bank of Zimbabwe Facility	16.5	10 597 077	143 137 322	10 597 077	31 908 871
Zimbabwe Agricultural Development Trust Facility	16.6	500 000	15 424 178	500 000	3 438 433
		100 105 490	**210 675 310**	**100 105 490**	**46 964 770**
Non-current liabilities (more than 12 months after reporting date) At amortised cost		2 305 278	6 973 690	2 305 278	2 179 278
Current liabilities (no more than 12 months after reporting date) At amortised cost		97 800 212	203 701 620	97 800 212	44 785 492
		100 105 490	**210 675 310**	**100 105 490**	**46 964 770**

16.1 Ecobank Zimbabwe Limited Facility

This loan is a facility to cater for working capital requirements and was issued on 25 September 2019. The facility is repayable monthly over a two year period to 30 June 2021.

Security details of the loan are as follows:

- First Mortgage Bond to be registered at ZWL5million

Covenant details of the loan are as follows:

- Insurance of Microfinance Bank's property and assets
- Minimum monthly deposits of ZWL1.5 million.

16.2 Everprosperous World Wide Limited

The promissory notes were issued in November (ZWL49 million) and December (ZWL24 million). The loans were issued at an interest rate of 60% p.a. and are repayable in May and June 2021 respectively.

16 BORROWINGS (CONTINUED)

16.3 Medium Term Bonds

This liability consists of medium term bonds that are not listed but through private placement. The bonds came through in August 2019. Interest is charged at 18% per annum and paid monthly.

16.4 NMB Bank Limited Facility

This loan is a facility to finance business expansion and was issued on 3 October 2018. The facility is repayable monthly over a three year period to 30 September 2021.

Security details of the loan is ZWL5 million cession of book debts and first mortgage bond for properties valued at USD248 000.

Covenant details of the loan are as follows:

- Non-Performing loans(NPL)< 10%
- Insurance of Microfinance Bank's property and assets
- Portfolio at risk (PAR) < 10%;
- Capital adequacy ratio > 15%
- No drawdowns are to repay shareholder loans
- Minimum monthly deposits of ZWL5 million.

16.5 Reserve Bank of Zimbabwe Facility

The loan is a facility specifically issued to finance the agricultural sector on 20 February 2018. Interest is charged at 3.5% and is payable monthly.

The Microfinance Bank accessed additional ZWL30 million at 9% per annum during the period. Security was offered by Al Shalms Global and the fee is charged at 27%. Details of the loan are as follows:

- Cession and pledge of Treasury Bills, or any other bonds as shall be acceptable to the Reserve Bank of Zimbabwe;
- A first ranked mortgage bond over the Borrower's immovable property.

16.6 Zimbabwe Agricultural Development Trust Facility

The loan is a facility specifically to finance the agricultural sector which was issued on 20 August 2019 and is repayable on 19 August 2021. Interest is charged at 9.29% and is payable on maturity of the loan.

Borrowings carrying amount approximates fair value.

	INFLATION ADJUSTED		HISTORICAL COST	
	December 2020 ZWL	**December 2019 ZWL**	**December 2020 ZWL**	**December 2019 ZWL**
Borrowings movement				
Balance at 1 January 2020	210 675 310	109 438 304	46 964 770	24 396 532
New borrowings	132 844 548	195 907 790	84 773 510	43 672 722
Repayments	(40 573 013)	(81 528 767)	(25 891 290)	(18 174 800)
Interest capitalised/(paid)	(8 997 232)	(13 142 017)	(5 741 500)	(2 929 684)
Effects of inflation	**(193 844 123)**	-	-	-
Closing balance at 31 December 2020	**100 105 490**	**210 675 310**	**100 105 490**	**46 964 770**

17 INTEREST INCOME

	INFLATION ADJUSTED		HISTORICAL COST	
	December 2020 ZWL	**December 2019 ZWL**	**December 2020 ZWL**	**December 2019 ZWL**
Interest on Consumer Loans	56 491 673	38 871 817	36 310 576	12 904 834
Interest income on SME Loans	25 037 866	28 163 214	16 326 759	2 788 722
Interest income on Mortgage Loans	771 052	1 659 010	486 219	274 556
	82 300 591	**68 694 041**	**53 123 554**	**15 968 112**

Interest is earned over time based on the Effective Interest Rate method.

The movement in transactions between current year and prior was not driven by a material increase in activities but was primarily driven by inflation. This is because the effective operations level has been the same as prior year but inflation led to monthly increases. This phenomenon is reflected more on the expenditure side. Comparability of the entire income statement is also impaired by the fact that current year reflects a 6 month trading period and prior year reflects a 12 month trading period.

18 INTEREST EXPENSE

	INFLATION ADJUSTED		HISTORICAL COST	
	December 2020 ZWL	**December 2019 ZWL**	**December 2020 ZWL**	**December 2019 ZWL**
Interest on borrowings	37 074 929	32 102 227	22 524 375	4 902 106
Interest on leases	1 127 772	1 495 026	718 326	332 968
Interest on deposits	133 681	95 677	85 147	21 309
	38 336 382	**33 692 930**	**23 327 848**	**5 256 383**

19 FEE AND COMMISSION INCOME

The Microfinance Bank derives revenue from the rendering of services over time and at a point in time in the following major categories:

	Consumer ZWL	**SME ZWL**	**Total ZWL**
December 2020			
Fee and commission income	34 253 326	2 890 777	**37 144 103**
Timing of revenue recognition:			
- At a point in time	510 719	-	**510 719**
- Over time	33 742 607	2 890 777	**36 633 384**
	34 253 326	**2 890 777**	**37 144 103**
December 2019			
Fee and commission income	35 628 117	2 700 907	**38 329 024**
Timing of revenue recognition:			
- At a point in time	250 640	-	**250 640**
- Over time	35 377 477	2 700 907	**38 078 384**
	35 628 117	**2 700 907**	**38 329 024**

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FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

Notes to the Financial Statements (Continued)

For the year ended 31 December 2020

19 FEE AND COMMISSION INCOME (CONTINUED)

	INFLATION ADJUSTED		HISTORICAL COST	
	December 2020 ZWL	December 2019 ZWL	December 2020 ZWL	December 2019 ZWL
Administration fees	22 264 857	31 500 245	11 806 979	4 490 817
Banking fees and commissions	14 368 527	6 578 137	8 938 181	825 628
Commission on insurance	510 719	250 642	264 916	37 477
	37 144 103	**38 329 024**	**21 010 076**	**5 353 922**

Insurance commission is earned on credit life policies taken by customers and is recognised when the loan is granted. The Microfinance Bank derives income from the transfer of services over time and at a point in time. Administration fees are recognised over time as there is a monthly charge on loans. Commission on insurance is recognised at a point in time as the premium is paid once at inception of loans. The principal source of income is the disbursement of loans. There were no significant contract assets and liabilities related to IFRS 15 (December 2019: nil).

There was no revenue recognised from performance obligations satisfied in previous periods.

20 OPERATING EXPENSES

	INFLATION ADJUSTED		HISTORICAL COST	
	December 2020 ZWL	December 2019 ZWL	December 2020 ZWL	December 2019 ZWL
Accommodation	95 095	254 123	23 655	38 178
Accounting and auditing fees	8 061 310	6 311 729	6 889 018	1 193 766
Advertising, marketing and sales expenses	3 422 240	4 596 145	1 994 074	694 946
Amortisation	2 186 464	1 857 175	402 766	158 549
Bank charges	2 618 748	3 486 776	1 566 367	630 714
Collection costs	3 568 469	4 092 296	2 072 329	550 567
Consulting and professional fees	4 719 718	1 795 504	2 865 807	289 956
Depreciation	13 011 710	6 066 800	1 334 660	373 411
Directors fees	2 621 504	1 787 243	1 506 769	143 656
Funding origination costs	3 615 088	1 494 023	3 015 121	228 375
Insurance expenses	1 088 508	991 860	670 038	156 064
License fees	10 439 166	2 472 541	5 352 283	418 050
Management fees	5 011 765	12 214 146	649 487	1 685 946
Consultancy	4 051 284	1 055 508	2 498 162	180 175
Other expenses	1 603 584	1 847 577	1 023 312	270 511
Postage and courier	189 333	125 699	87 261	14 527
Printing and stationery	3 785 352	3 608 693	2 118 634	525 516
Rentals	8 057 470	3 183 699	4 537 717	466 138
Repairs and maintenance	4 904 186	2 808 073	3 480 780	418 715
Sales acquisition costs	1 711 604	6 871 429	639 344	804 807
Security	6 146 251	2 207 662	4 611 104	335 659
Staff costs	56 641 475	35 512 602	28 549 948	4 837 855
Staff welfare and refreshments	4 667 831	4 894 493	3 507 034	769 408
Telephone and fax	5 446 827	2 258 633	3 751 239	325 264
Training	884 029	1 509 632	437 226	184 904
Travel	1 870 613	1 730 468	1 073 772	246 981
	160 419 624	**115 034 529**	**84 657 907**	**15 942 638**

21 TAXATION EXPENSE

Major components of the tax expense				
Current				
Local income tax - current period	-	7 669 884	-	141 420
Deferred				
Deferred tax	(38 426 712)	42 595 842	23 292 899	3 416 602
	(38 426 712)	**50 265 726**	**23 292 899**	**3 558 022**
Reconciliation between accounting profit and tax expense:				
Accounting profit before tax	(83 217 858)	32 946 821	102 293 638	21 967 832
Tax at the applicable tax rate of 24.72% (2019 : 25.75%)	(20 571 454)	8 483 806	25 286 987	5 656 717
Tax effect of adjustments on taxable income				
Tax effect of expenses that are not deductible in determining taxable profit : -				
Donations	47 281	36 094	14 924	6 424
Entertainment	-	-	-	-
Intermediary Money Transfer	(210 441)	-	(134 039)	(114 751)
Movement in provisions	(190 197)	(4 235 947)	(3 683 792)	(943 418)
Adjustments related to prior periods	-	-	-	-
Difference between effective and simple interest	412 984	30 001 221	412 983	(774 604)
Allowance for impairment losses	1 093 682	734 143	614 405	(30 439)
Net effect of disallowable expenses	(19 008 567)	15 246 409	781 431	(241 907)
	(38 426 712)	**50 265 726**	**23 292 899**	**3 558 022**

22 AUDITORS' REMUNERATION

Fees	8 061 310	5 872 325	6 889 018	1 136 766
Tax and secretarial services	-	439 404	-	57 000
	8 061 310	**6 311 729**	**6 889 018**	**1 193 766**

23 CASH GENERATED FROM/(USED IN) OPERATIONS

Profit before income tax	(83 217 858)	32 946 821	102 293 638	21 967 832
Adjustments for:				
Depreciation and amortisation	15 198 174	7 923 975	1 737 426	531 960
Fair value adjustments	3 722 088	46 674 379	(116 527 789)	(19 122 174)
Profit on disposal of non current assets	(3 136 146)	-	(2 787 798)	-
Unrealised foreign exchange loss/(gain)	(30 418 241)	(14 990 812)	(19 374 676)	(3 338 711)
Net impairment	4 424 284	2 851 041	2 485 456	189 072
Interest received	(976 200)	(3 694 538)	(622 953)	(822 837)
Interest expense	38 336 382	33 692 930	23 327 848	5 256 383
Changes in working capital:				
Increase/(decrease) in loans and advances to customers	120 660 727	(81 268 361)	(115 736 985)	(25 205 590)
Increase/(decrease) in other assets	30 401 439	(13 855 678)	(4 587 567)	(3 085 897)
Increase in deposits from customers	59 686 183	44 292 826	104 022 176	9 864 772
Increase/(decrease) in other financial liabilities	(3 146 036)	(6 885 994)	19 373 808	(1 533 629)
	151 534 796	**47 686 590**	**(6 397 416)**	**(15 298 819)**
This section sets out an analysis of net debt and the movements in net debt for each of the periods presented.				
Cash and cash equivalents	149 243 059	110 732 583	149 243 059	24 685 056
Borrowings - repayable within one year	(97 800 212)	(203 701 620)	(97 800 212)	(44 785 492)
Borrowings - repayable after one year	(2 305 278)	(6 973 690)	(2 305 278)	(2 179 278)
Net debt	**49 137 569**	**(99 942 727)**	**49 137 569**	**(22 279 714)**

23 CASH GENERATED FROM/(USED IN) OPERATIONS (CONTINUED)

	Cash at bank including bank overdraft ZWL	Borrowings ZWL	Total ZWL
Net debt as at 1 July 2019	**8 034 745**	**(24 396 532)**	**(16 361 787)**
Cashflows (based on total amounts per Statement of Cash flows)	16 650 311	(22 568 238)	(5 917 927)
Net debt as at 31 December 2019	**24 685 056**	**(46 964 770)**	**(22 279 714)**
Cashflows (based on total amounts per Statement of Cash flows)	124 558 003	(53 140 720)	71 417 283
Net debt as at 31 December 2020	**149 243 059**	**(100 105 490)**	**49 137 569**

24 TAX PAID

	INFLATION ADJUSTED		HISTORICAL COST	
	December 2020 ZWL	December 2019 ZWL	December 2020 ZWL	December 2019 ZWL
Balance at beginning of the year	**(4 784 515)**	**10 506 349**	**1 066 588**	**732 147**
Current tax for the year recognised in profit or loss **(note 20)**	-	(7 669 884)	-	(141 420)
Net monetary adjustment	9 569 030	-	-	-
Balance at end of the year	**(4 784 515)**	**(4 784 515)**	**(1 066 588)**	**(1 066 588)**
	-	**(1 948 050)**	**-**	**(475 861)**

25 AMOUNTS DUE FROM/(TO) RELATED PARTY LOANS

Staff loans				
Opening balance	15 446 974	12 029 032	3 443 515	839 039
Disbursements/(repayments)	(3 411 645)	16 744 523	(2 177 110)	2 451 632
Interest charge	1 530 158	1 043 917	976 456	152 844
Net monetary adjustment	(11 322 626)	(14 370 498)	-	-
Amount due from staff	**2 242 861**	**15 446 974**	**2 242 861**	**3 443 515**

These amounts generally arise from transactions within the normal operating activities of the Microfinance Bank. Interest is charged at rates above the threshold for taxable benefits for all loans. Collateral is not obtained with the exception of mortgage loans or vehicle loans.

26 OPERATING SEGMENTS

Management has determined the operating segments based on the reports reviewed by the Executive Committee (chief operating decision maker) which is responsible for allocating resources to the reportable segments and assesses its performance. The consumer loans, SME and Bureau segments are the only operating segments that meet the definition of a reportable segment. The consumer loans, SME and Bureau segments have been identified on the basis of their contribution to total assets of the operating segments. All revenue is derived from customers in Zimbabwe. The consumer loan segment offers payroll based loans to employed individuals whereas the SME department offers loans to small and medium enterprises. There are no clients that account for more than 10% of revenue. There are no transactions between segments. The Microfinance Bank does not have interests in profit or loss of associates accounted for by the equity method or material non-cash items other than depreciation and amortisation.

	INFLATION ADJUSTED				
	Consumer ZWL	SME ZWL	Bureau ZWL	Other ZWL	Total ZWL
31 December 2020					
Third party income	72 909 481	25 940 142	4 949 059	15 646 012	119 444 694
Impairment losses on loans and advances	(3 842 671)	(1 367 167)	-	(824 619)	(6 034 456)
Net operating income	**69 066 810**	**24 572 975**	**4 949 059**	**14 821 393**	**113 410 238**
Interest income	56 491 673	25 037 866	-	771 052	82 300 591
Interest expense	(23 400 669)	(8 325 620)	(1 588 426)	(5 021 668)	(38 336 382)
Net interest income	**33 091 004**	**16 712 246**	**(1 588 426)**	**(4 250 616)**	**43 964 209**
Fee and commission Income	34 253 326	2 890 777	-	-	37 144 103
Total net income	**67 344 330**	**19 603 023**	**(1 588 426)**	**(4 250 616)**	**81 108 311**
Depreciation and amortisation	(9 277 022)	(3 300 630)	(629 720)	(1 990 802)	(15 198 174)
Other income / (expenses)	(25 824 865)	(4 830 995)	4 406 746	13 160 487	(13 088 627)
Segment profit before tax	(50 796 487)	(18 072 658)	(3 448 040)	(10 900 673)	(83 217 858)
Income tax expense	23 455 806	8 345 238	1 592 168	5 033 500	38 426 712
Profit for the year	**(27 340 681)**	**(9 727 420)**	**(1 855 872)**	**(5 867 173)**	**(44 791 146)**
31 December 2019					
Third party income	13 050 549	26 860 925	4 949 059	62 162 532	107 023 065
Impairment losses on loans and advances	(731 155)	(1504 879)		(3 482 646)	(5 718 680)
Net operating income	**12 319 394**	**25 356 046**	**4 949 059**	**58 679 886**	**101 304 385**
Interest income	38 871 817	28 163 214	-	1 659 010	68 694 041
Interest expense	(4 307 769)	(8 866 344)	-	(20 518 817)	(33 692 930)
Net interest income	**34 564 048**	**19 296 870**	**-**	**(18 859 807)**	**35 001 111**
Fee and commission Income	35 628 117	2 700 907	-	-	38 329 024
Total net income	**70 192 165**	**21 997 777**	**-**	**(18 859 807)**	**73 330 135**
Depreciation and amortisation	(966 261)	(1 988 780)	(366 428)	(4 602 506)	(7 923 975)
Other income / (expenses)	(75 176 010)	(32 255 635)	(1 889 985)	(4 879 302)	(114 200 931)
Segment profit before tax	4 017 584	8 269 078	1 523 557	19 136 602	32 946 821
Income tax expense	(6 129 476)	(12 615 822)	(2 324 434)	(29 195 994)	(50 265 726)
Profit for the year	**(2 111 893)**	**(4 346 743)**	**(800 877)**	**(10 059 392)**	**(17 318 905)**

Notes to the Financial Statements (Continued)
For the year ended 31 December 2020

26 OPERATING SEGMENTS (CONTINUED)

	HISTORICAL COST				
	Consumer ZWL	SME ZWL	Bureau ZWL	Other ZWL	Total ZWL
31 December 2020					
Third party income	39 049 327	17 295 309	3 778 043	14 010 951	74 133 630
Impairment losses on loans and advances	(1 807 703)	(800 648)	-	(648 606)	(3 256 958)
Net operating income	**37 241 624**	**16 494 661**	**3 778 043**	**13 362 345**	**70 876 672**
Interest income	36 310 576	16 326 759	-	486 219	53 123 554
Interest expense	(12 947 611)	(5 734 617)	-	(4 645 621)	(23 327 848)
Net interest income	**23 362 965**	**10 592 142**	**-**	**(4 159 402)**	**29 795 706**
Fee and commission Income	19 253 817	1 756 259	-	-	21 010 076
Total net income	**42 616 782**	**12 348 401**	**-**	**(4 159 402)**	**50 805 782**
Depreciation and amortisation	(915 176)	(405 340)	(88 544)	(328 366)	(1737 426)
Other income / (expenses)	12 180 792	11 921 952	5 301 694	23 820 845	53 225 283
Segment profit before tax	53 882 398	23 865 013	5 213 150	19 333 077	102 293 638
Income tax expense	(12 269 358)	(5 434 212)	(1 187 067)	(4 402 262)	(23 292 899)
Profit for the year	**41 613 040**	**18 430 801**	**4 026 083**	**14 930 815**	**79 000 739**
31 December 2019					
Third party income	11 185 904	3 429 520	5 824 277	882 333	21 322 034
Impairment losses on loans and advances	(444 661)	(136 330)	-	(35 075)	(616 066)
Net operating income	**10 741 243**	**3 293 190**	**5 824 277**	**847 258**	**20 705 968**
Interest income	12 022 501	3 063 278	-	882 333	15 968 112
Interest expense	(3 562 113)	(1 092 119)	-	(602 151)	(5 256 383)
Net interest income	**8 460 388**	**1 971 159**	**-**	**280 182**	**10 711 729**
Fee and commission Income	4 987 680	366 242	-	-	5 353 922
Total net income	**13 448 068**	**2 337 401**	**-**	**280 182**	**16 065 651**
Depreciation and amortisation	(224 607)	(68 863)	(116 949)	(17 717)	(531 960)
Other income / (expenses)	(1 532 579)	1 264 855	(311 083)	646 590	67 783
Segment profit before tax	11 524 700	3 533 393	6000 681	909 056	21 967 831
Income tax expense	(1 866 599)	(572 286)	(971 901)	(147 235)	(3 558 021)
Profit for the Year	**9 658 101**	**2 961 107**	**5 028 780**	**761 821**	**18 409 810**

27 RELATED PARTIES

27.1 Relationships

Holding Company	MyBucks S.A (Luxembourg)
Intermediate holding Company	GetBucks Limited (Mauritius)
Shareholder	Ecsponent Zimbabwe (Private) Limited
Fellow subsidiaries	GetBucks (Proprietary) Limited (Botswana)
	BU Bucks (Proprietary) Limited
	CashCorp (Proprietary) Limited
	TU Loans (Proprietary) Limited
	GetBucks Limited (Malawi)
	EMU-INYA Enterprises: Limited Kenya
	GetSure Botswana (Proprietary) Limited (Botswana)
	GetBucks Botswana
	GetBucks Invest GmbH (Austria)
	GetBucks Spain SL
	GetBucks Poland SP z.o.o.
	GetBucks Financial Services Limited (Zambia)
	MyBucks Banking Corporation Holdings(MBCH)
	MHMK Private Limited Zimbabwe
	SureChoice Global Ventures
	Ligagu Investments (Proprietary) Limited (Swaziland)
Entities under common control	GetBucks (Proprietary) Limited (South Africa)
	VSS Financial Services (Proprietary) Limited (South Africa)
	GetSure (Proprietary) Limited South Africa
	Rockcastle Commodities (Pvt) Ltd

	INFLATION ADJUSTED		HISTORICAL COST	
	December 2020 ZWL	December 2019 ZWL	December 2020 ZWL	December 2019 ZWL
27.2 Related party balances				
Related party receivables				
MBCH	4 095 925		4 095 925	261 673
SureChoice	371 327	-	371 327	76 151
Related party payables				
GetBucks Limited (Mauritius)	-	-	-	-
GetBucks Botswana	526 929	485 198	526 929	108 062
Related party loans and advances				
R. Mbire	-	7 471	-	1 664
Rockcastle Commodities (Pvt) Ltd	-	6 735 000	-	1 500 000
Related party deposits				
MHMK Private Limited Zimbabwe	6 466	3 430	6 466	764
GetBucks Limited (Mauritius)	15 666	(72 024)	15 666	(16 041)
Related party equity balances				
P. Soko	25 723	13 524	25 723	3 012

These transactions normally arise from transactions outside the usual operating activities of the Microfinance Bank. Interest is not charged and collateral is not obtained. All balances are payable / receivable within 12 months. Related party receivables and related party loans and advances have been assessed for impairment and are included in the impairment assessment.

	INFLATION ADJUSTED		HISTORICAL COST	
	December 2020 ZWL	December 2019 ZWL	December 2020 ZWL	December 2019 ZWL
27.3 Related party transactions				
Management fees paid to related parties				
GetBucks Limited (Mauritius)	5 011 765	12 214 146	649 487	1 685 946

Management fees are paid monthly. The fees relate to costs incurred for systems used in lending, collections and core banking infrastructure as well as ongoing management support from the group.

27 RELATED PARTIES (CONTINUED)

27.4 Key management personnel compensation

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, and include the Chief Executive Officer, Chief Operations Officer, Chief Finance Officer, Chief Risk Officer, Head of Retail, Head of Internal Audit, Head of SME, Head of Treasury, Chief Technology Officer, Head of Finance, Head of Human Resources and Head of International Banking.

	INFLATION ADJUSTED		HISTORICAL COST	
	December 2020 ZWL	December 2019 ZWL	December 2020 ZWL	December 2019 ZWL
Short term employment benefits	14 731 247	9 062 558	9 382 960	2 018 387
Post employment benefits	1 018 368	157 886	648 642	35 164
Termination benefits	-	-	-	-
	15 749 615	**9 220 444**	**10 031 602**	**2 053 551**

28 EMPLOYEE BENEFITS

Pension fund

All eligible employees contribute to the GetBucks pension fund which is a defined contribution pension fund. The Microfinance Bank has no legal or constructive obligation to pay should fund assets be insufficient to meet fund obligations. Contributions to the pension fund are expensed as part of staff costs.

All employees are members of the National Social Security Authority Scheme (NSSA), to which both the Microfinance Bank and the employees contribute. Contributions by the employer are charged to profit and loss.

	INFLATION ADJUSTED		HISTORICAL COST	
	December 2020 ZWL	December 2019 ZWL	December 2020 ZWL	December 2019 ZWL
Pension expense	1 034 317	336 765	658 801	75 003
NSSA expense	237 961	69 555	151 567	15 491
	1 272 278	**406 320**	**810 368**	**90 494**

29 DIRECTORS' EMOLUMENTS

No emoluments were paid to the executive directors during the year.

	INFLATION ADJUSTED		HISTORICAL COST	
	December 2020 ZWL	December 2019 ZWL	December 2020 ZWL	December 2019 ZWL
Non-executive				
Directors' fees for services as directors **(note 20)**	**2 621 504**	**1 787 243**	**1 506 769**	**143 656**

30 CORPORATE GOVERNANCE AND RISK MANAGEMENT

30.1 Responsibilty

These audited financial statements are the responsibility of the directors. This responsibility includes the setting up of internal control and risk management processes which are monitored independently. The information contained in these audited financial has been prepared on the going concern basis and is in accordance with the provisions of the Companies and Business Entities Act of Zimbabwe (Chapter 24.31), the Microfinance Act (Chapter 24:29) and International Financial Reporting Standards.

30.2 Corporate Governance

GetBucks Microfinance Bank Limited corporate governance practices are stipulated in the Microfinance Act (Chapter 24:30) and the Companies and Other Business Entities Act of Zimbabwe (Chapter 24:31). The Board has set up the Audit and Risk Committee, Remuneration Committee, Credit Committee and Loans Review Committee to assist in the discharge of its duties and responsibilities. GetBucks Microfinance Bank Limited was not in compliance with the Microfinance Act (Chapter 24:30) as at 31 December 2020 which requires the following:

- The Audit and the Risk should be separate committees;
- The Credit Committee is improperly constituted, having only two members and is also chaired by a non-executive director who is not independent; and
- The Remuneration Committee is improperly constituted as it is chaired by a non-executive director who is not independent.

The Microfinance Bank is working on appointment of the required board members so as to regularise compliance with corporate governance requirements. Additionally, the Board has management committees to assist in the execution of its mandate namely, the Asset and Liability Committee (ALCO) and the Executive Committee.

30.3 Board of Directors

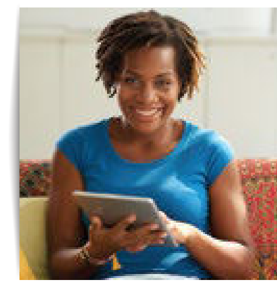
The Board of Directors is comprised of seven members. The board consists of two executive and five non-executive members. Three of the five non-executive directors are independent non-executive directors. The Chairman of the Board is also an independent non-executive director.

Directors

Directors	Status	Nationality	Changes
Dr. Rungamo Mbire	Non Executive Chairperson	Zimbabwean	No Change
Mr. Walter T. Kambwanji	Non-Executive	Zimbabwean	No Change
Mr. Paul Soko	Non-Executive	Zimbabwean	No Change
Mr. Joseph Machiva	Non-Executive	Zimbabwean	Appointed 12 February 2020
Ms. Ruvimbo T. L. Matsika	Non-Executive	Zimbabwean	Appointed 12 February 2020
Ms. Sibongile Moyo	Non-Executive	Zimbabwean	Resigned 10 March 2020
Mr. Terrance W. Mudangwe	Managing Director	Zimbabwean	Resigned 31 December 2020
Mr. Patrick T.M Mashinga	Chief Finance Officer	Zimbabwean	Resigned 31 December 2020

Meeting Attendance

Main Board	Total meetings	Total present	Total absent
R. Mbire	4	4	-
W. Kambwanji	4	4	-
T. Mudangwe	4	4	-
P. Mashinga	4	4	-
P. Soko	4	4	-
J. Machiva (Appointed 12 February)	4	4	-
R. Matsika (Appointed 12 February)	4	4	-
Audit and Risk Committee			
W. Kambwanji (Chairperson)	4	4	-
P. Soko	4	4	-
J. Machiva (Appointed 12 February 2020)	4	4	-
Loans Review Committee			
R. Mbire (Chairperson)	4	4	-
J. Machiva (Appointed 12 February 2020)	4	4	-
R. Matsika (Appointed 12 February 2020)	-	-	-
Remuneration Committee			
W. Kambwanji (Chairperson)	4	4	-
P. Soko	4	4	-
R. Matsika (Appointed 12 February 2020)	4	4	-
Credit Committee			
S. Moyo (Resigned 10 March 2020)	1	1	-
W. Kambwanji (Chairperson Appointed 1 January 2020)	4	4	-
P. Soko (Appointed 1 January 2020)	4	4	-



Notes to the Financial Statements (Continued)

For the year ended 31 December 2020

31 RISK MANAGEMENT

Financial risk management

The Microfinance Bank's activities expose it to a number of financial risks. Taking risk is core to a financial services business and the Microfinance Bank aims to achieve a balance between risk and return. The risk management policies are designed to identify, measure, monitor, control and report risks using up to date information systems. Risk management is carried out by management using board approved policies and management is responsible for identifying, monitoring and mitigating financial risks faced by the Microfinance Bank. The Board of Directors assists in ensuring compliance with these policies. The Microfinance Bank has an Independent Risk Management Function which provides assurance that risks are being managed within approved risk levels, on a daily, weekly or quarterly basis as appropriate. The Microfinance Bank also has an independent Compliance Function whose role is to identify, record and assess compliance risks associated with the bank's operations.

31.1 Credit risk

Credit risk is the risk of financial loss to the Microfinance Bank if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the Microfinance Bank's loans and advances to customers. For risk management purposes, the Microfinance Bank considers and consolidates all elements of credit risk exposure such as individual obligor default employer and default risk. Credit risk and exposure to loss are inherent parts of the Microfinance Bank's business stemming from Cash and cash equivalents **(note 4)** and loans and advances to customers **(note 5)**.

The provision of unsecured loans to individuals and business is the main activity of the Microfinance Bank, hence exposure to credit risk and its management are key considerations of the business. Customer credit risk is mitigated by the utilisation of payroll collection models for unsecured individual loans which ensures that the loans are collectable during their tenure, and collateral security for SME and mortgage loans.

The Board Credit Committee periodically reviews and approves the Microfinance Bank's policies and procedures to define, measure and monitor the credit and settlement risks arising from the Microfinance Bank's activities. Limits are established to control these risks. Any facility exceeding established limits of management must be approved by the Board Credit Committee. Management evaluates the credit exposure and assures ongoing credit quality by reviewing individual loans and monitoring of any corrective action taken to address credit risk. These policies are contained in the Credit Policy.

The Microfinance Bank's Credit Department periodically prepares detailed reports on the quality of the customers and adequacy of loan impairment allowance for review. To maintain an adequate allowance for credit losses, the Microfinance Bank generally provides for a loan or a portion thereof, when a loss is probable. The objective of our credit risk management is to ensure that credit is granted to credit worthy clients in order to collect on loans disbursed.

The Microfinance Bank also has a Board Credit and Loans Review committees chaired by non-executive directors to monitor the risk using information prepared by management as detailed in this **note 30.1** and recommending corrective action to management where necessary. This committee meets quarterly and reports to the Board of Directors.

The Microfinance Bank mainly provides loans to gainfully employed individuals that work for companies and mostly the public service that have concluded a deduction agreement. In terms of the agreement the employer deducts loan instalments from customers salaries based on pre-agreed terms. This mitigates the risk of default on consumer loans.

Credit policies, procedures and limits

The Microfinance Bank has sound and well-defined policies, procedures and limits which are reviewed and approved by the Board of Directors and strictly implemented by management. Credit risk limits include delegated approval and write-off limits for management and Board Credit Committee, individual account limits and concentration. During the year the minimum loan granted and limits were ZWL50 (2019:ZWL50) and the maximum was ZWL31 300 000 (2019: ZWL1 600 000) for up to 120 months (2019:120 months).

To ensure that the Microfinance Bank only lends to credit worthy customers, before loans are disbursed, checks are conducted to verify identity, employment status and affordability of loan products being applied for. Where possible external credit checks are conducted. Similar checks are conducted for SME's and where deemed necessary collateral or credit insurance is obtained to mitigate risk of default.

Credit risk mitigation and hedging

As part of the Microfinance Bank's credit risk mitigation and hedging strategy, various types of collateral is taken by the Microfinance Bank. These include mortgage bonds over residential, commercial and industrial properties, cession of book debts and the underlying movable assets financed.

Collateral held for exposure

An estimate of the fair value of collateral and other credit enhancements held against loans and advances to customers are shown below based on their collateral types :-

Collateral types	Segment	December 2020 ZWL	December 2019 ZWL
Mortgage Bonds	SME	12 503 046	20 281 068
Mortgage Bonds	Mortgages	579 500	1 312 100
Cession of book debts	SME	1 975 000	1 975 000
Guarantees	SME	200 000	400 000
Notarial Specific Covering bonds (NSCB)	SME	1 554 220	2 358 491
Pledge of listed shares	SME	-	1 720 000
Value of collateral		**16 811 766**	**28 046 659**

The collateral above is solely for the SME and mortgage segments. The gross carrying amount of assets is ZWL16 811 766. The gross loan book for SME and mortgage is ZWL 34 271 344. This implies that collateral cover is 49%. There is no collateral for the consumer segment. None of the collateral was sold or repledged. The Microfinance Bank has an obligation to return it once respective loans have been settled.

Maximum exposure to credit risk without taking into account collateral

	Notes	December 2020 ZWL	December 2019 ZWL
Cash and cash equivalents (excluding cash on hand)	4	109 025 468	21 951 839
Loans and advances to customers	5.1	82 311 495	38 470 928
Financial assets	6.1	-	12 822 837
Total credit risk exposure		**191 336 963**	**73 245 604**

Where financial instruments are recorded at fair value the amounts shown above represent the current risk exposure but not the maximum risk exposure that could arise in the future as a result of changes in values.

Other credit enhancements

Customer credit risk is mitigated by the utilisation of payroll collection models.

In addition all consumer loans granted to customers are covered by credit life insurance that pays the Microfinance Bank in case of death or permanent disability of the customer.

Impaired loans and securities

Impaired loans and securities are those for which the Microfinance Bank determines that it is probable that it will be unable to collect all principal and interest due according to the contractual terms of the loan.

31 RISK MANAGEMENT (CONTINUED)

31.1 Credit risk (continued)

Loans with renegotiated terms

Loans with renegotiated terms are loans that have been restructured due to deterioration in the borrower's financial position and where the Microfinance Bank has made concessions that it would not otherwise consider. Once the loan is restructured it remains in this category independent of satisfactory performance after restructuring. There were no renegotiated loans and advances to customers during the year (December 2019: nil).

Allowances for impairment

The loss allowance recognised in the period is impacted by a variety of factors, as described below:

- transfers between Stage 1 and Stages 2 or 3 due to financial instruments experiencing significant increases (or decreases) of credit risk or becoming credit-impaired in the period, and the consequent "step up" (or "step down") between 12-month and Lifetime ECL;
- additional allowances for new financial instruments recognised during the period, as well as releases for financial instruments de-recognised in the period;
- impact on the measurement of ECL due to changes in PDs, EADs and LGDs in the period, arising from regular refreshing of inputs to models;
- impacts on the measurement of ECL due to changes made to models and assumptions;
- financial assets derecognised during the period and write-offs of allowances related to assets that were written off during the period.

Incorporation of forward looking information in ECL measurement

Significant increase in credit risk "SICR"

In accordance with IFRS 9, all exposures are assessed to determine whether there has been SICR at the reporting date, in which case an impairment provision equivalent to the lifetime expected loss is recognised. SICR is determined for portfolios of exposures with similar credit risk and are tracked over time to determine deterioration relative to the originated population and consequently reflect an increase in credit risk. Determination of SICR was based on the rebuttable presumption that when contractual payments are more than 30 days past due there would be SICR. If a loan is 90 days past due it would be credit impaired.

The assessment of SICR and the calculation of ECL do not incorporate forward-looking information. The Microfinance Bank has performed historical analysis and identified the key economic variables impacting credit risk.

The model did not use forward looking information in its ECL measurement as forecasts were beyond any reasonable stress test or worst case scenario. As a result, the model reverted to through the cycle ("TTC") estimates based on historic default patterns on the book to project future defaults. The current model therefore does not incorporate macroeconomic forecasts and, as a result, there are no sensitivity analyses on macroeconomic factors. The model will be reviewed every 3 months and once macroeconomic factors reflect forecasts forward looking information will be used. As there was no forward looking information used there are no sensitivities.

Other considerations to provisioning policy

The Microfinance Bank considers the provisioning requirements as set out in the Microfinance Banking Regulations 2000 in order to align its policies to Bank accounting policies, and the provisions of International Financial Reporting Standard ("IFRS") 9 - "Financial instruments" and makes the most prudent provision for its loans and advances based on the two methods. Where the regulatory provisions are higher than those required by the IFRS 9 expected credit losses, the excess is treated as an appropriation to a reserve.

Impairment and provisioning policies

In measuring credit risk of loans and advances the Microfinance Bank reflects three components;

(i) the probability of default by the client or counterparty on its contractual obligations (PD);
(ii) current exposures to the counterparty (EAD)
(iii) the likely loss in the event of a default (LGD); and
(iv) Discount factor derived from the effective interest rate (Df)

Internal estimate of PDs and LGDs are based on model scores and observed historical data.

The Microfinance Bank does not take into account forward looking information as the model was conduced based on Through the Cycle ("TTC").

Impairment and provisioning policies (continued)

IFRS 9 introduces the concept of recognising expected credit losses from the origination date of the financial instrument. The intention being to reflect the economic phenomenon of the expected credit losses being incorporated into the pricing of financial instruments.

The expected credit losses are calculated using probability-weighted estimates calculated over the expected life of the financial instruments.

Thus ECL(t)=ECL(stage1) + ECL(stage2) + ECL(stage3) and the following is also true;

ECL=Probability of default(PD) x Loss Given Default(LGD) x Exposure At Default(EAD) x Discount factor(Df)

Credit risk concentration

	Total ZWL	ECL Stage 2 and 3 ZWL	Write offs ZWL	Impairment allowance ZWL
As at 31 December 2020				
Retail	25 318 683	1 112 871	-	1 153 434
Consumer	52 491 873	3 239 852	805 484	2 397 416
Construction	400 532	-	-	2 924
Agriculture	8 020 494	-	-	366 313
	86 231 582	**4 352 723**	**805 484**	**3 920 087**
As at 31 December 2019				
Retail	11 487 198	4 264 594	36 586	425 174
Consumer	22 863 520	3 079 155	390 409	859 671
Construction	864 488	-	-	6 311
Agriculture	4 724 335	379 159	-	177 457
	39 939 541	**7 722 908**	**426 995**	**1 468 613**

Also refer to note 5.3 for concentration information on loans. The disclosure reflecting the split between use of 12 month and lifetime ECL is included in note 5.6.

Write-off policy

Financial assets are only written off when the entity has no reasonable expectation of recovery. The Microfinance Bank write-off policy states that a loan with a contractual maturity of more than 1 month will be written off after 365 days of non-payment. Loans with a contractual maturity of 1 month are written off after 180 days of non-payment.

The Microfinance Bank holds collateral against loans and advances to customers in the form of mortgage interest over property, other registered securities over assets, charges against receivables and guarantees. Estimates of fair value are based on the value of collateral assessed at the time of borrowing, and generally are not updated except when a loan is individually assessed as impaired. Assets written off are not subject to enforcement activity. Partial write-offs may be possible in cases where collateral security held is inadequate to expunge the debt in full.

31.2 Liquidity risk

Liquidity risk is the risk that the Microfinance Bank will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset. Liquidity risk arises when assets and liabilities have differing maturities.

The liquidity risk is managed by the Management Assets and Liabilities Committee ('ALCO") of the Company which reviews the Company's liquidity profile by monitoring the difference in maturities between assets and liabilities and analysing the future level of funds required based on various assumptions, including its ability to liquidate investments and participate in money markets.

Notes to the Financial Statements (Continued)
For the year ended 31 December 2020

31 RISK MANAGEMENT (CONTINUED)

31.2 Liquidity risk (continued)

Assumptions used take into account loan collections, loan maturities, and operational costs. The Company's liquidity as a lending institution is dependent on the ability to collect instalments from advances made to customers. In case of shocks, delays or inability to collect instalments the Company relies on loan facilities from other financial institutions to ensure that it can meet its obligations.

The table below analyses the Company's non-derivative financial assets and liabilities into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date. Gap analyses are used to determine any periods of liquidity mismatch in order to take any necessary action in advance.

The amounts disclosed in the table are the contractual undiscounted cash flows:

Liquidity profiling 31 December 2020	0-1 month ZWL	1-3 months ZWL	3-6 months ZWL	6-12 months ZWL	1-5 years ZWL	Total ZWL
Assets						
Cash and cash equivalents	149 243 059	-	-	-	-	**149 243 059**
Loan book	15 310 223	38 007 061	53 823 205	62 148 962	8 092 444	**177 381 895**
Other receivables	17 318	34 637	69 274	130 226	4 803 187	**5 054 642**
	164 570 600	**38 041 698**	**53 892 479**	**62 279 188**	**12 895 631**	**331 679 596**
Liabilities						
Borrowings	19 693 716	7 516 951	84 089 847	1 581 970	795 606	**113 678 090**
Deposits from customers	116 741 149	-	117 315	-	-	**116 858 464**
Trade payables	3 920 087	-	-	19 183 420	-	**23 103 507**
	140 354 952	**7 516 951**	**84 207 162**	**20 765 390**	**795 606**	**253 640 061**
Asset and liability gap	**24 215 648**	**30 524 747**	**(30 314 683)**	**41 513 798**	**12 100 025**	**78 039 535**
Cumulative gap	**24 215 648**	**54 740 395**	**24 425 712**	**65 939 510**	**78 039 535**	**-**
Liquidity profiling 31 December 2019						
Assets						
Cash and cash equivalents	110 732 583	-	-	-	-	**110 732 583**
Loan book	28 218 895	52 286 342	65 293 751	66 572 033	38 094 656	**250 465 677**
Other receivables	77 685	155 375	310 750	815 719	3 567 879	**4 927 408**
	139 029 163	**52 441 717**	**65 604 501**	**67 387 752**	**41 662 535**	**366 125 668**
Liabilities						
Financial borrowings	1 418 307	29 552 995	5 351 094	229 389 615	11 937 568	**277 649 579**
Deposits from customers	55 754 268	360 525	-	-	1 669 392	**57 784 185**
Trade payables	19 966 779	-	-	-	-	**19 966 779**
	77 139 354	**29 913 520**	**5 351 094**	**229 389 615**	**13 606 960**	**355 400 543**
Asset and liability gap	**61 889 809**	**22 528 197**	**60 253 407**	**(162 001 863)**	**28 055 575**	**10 725 125**
Cumulative gap	**61 889 809**	**84 418 006**	**144 671 413**	**(17 330 450)**	**10 725 125**	**-**

The asset and liability gap is negative for the 1-3 month bracket and will be managed through utilisation of the cumulative positive position and change of maturities.

31.3 Market risk

The risk of a change in the actual or effective market value or earnings of a portfolio of financial instruments caused by adverse movements in market variables such as equity, bond and commodity prices, currency exchange rates and interest rates, credit spreads, recovery rates, correlations and implied volatilities in all of the above.

The objective of market risk management is to manage and control market risk exposures within acceptable parameters while optimising the return on risk.

Interest rate risk

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the value of financial instruments will fluctuate because of changes in market interest rates.

The Microfinance Bank's main interest rate risk arises from long-term borrowings which are issued at fixed rates. These expose the Microfinance Bank to cash flow interest rate risk which is partially offset by having a short term portfolio as the main asset in the Microfinance Bank by reducing net interest expense.

The table below indicates all interest bearing financial borrowings and all interest bearing financial assets (excluding Cash and cash equivalents, other receivables and payables) at fixed rates.

	INFLATION ADJUSTED		HISTORICAL COST	
	December 2020 ZWL	December 2019 ZWL	December 2020 ZWL	December 2019 ZWL
Fixed interest bearing assets	82 311 495	172 590 842	82 311 495	38 470 928
Fixed interest bearing borrowings	100 105 490	210 675 310	100 105 490	46 964 770

This risk is managed by the Microfinance Bank's Asset and Liabilities Committee ("ALCO") through the analysis of risk sensitive assets and liabilities, using such models as Scenario Analysis and control and management of the identified gaps.

Scenario analysis of net interest income

The Microfinance Bank's loan book is affected by interest rate movements on net interest income. The desired interest rate risk profile is achieved through effective management of the statement of financial position composition. When analysing the impact of a shift in the yield curve on the Microfinance Bank's interest income, the Microfinance Bank recognizes that the sensitivity of changes in the interest rate environment varies by asset and liability class. Scenarios are defined by the magnitude of the yield curve shift assumed. Analysis of the various scenarios is then expected values.

	31 Dec 2020 ZWL	Effect on profit before tax 31 Dec 2020 ZWL	31 Dec 2019 ZWL	Effect on profit before tax 31 Dec 2019 ZWL
Interest rate change				
1% increase				
Assets	82 311 495	531 236	38 470 928	159 681
Liabilities	100 105 490	233 278	46 964 770	49 352
Net effect		**297 958**		**110 329**

The table below analyses the Microfinance Bank's interest rate risk exposure on assets and liabilities. The financial assets and financial liabilities are categorised by the earlier of contractual repricing or maturity dates.

31 RISK MANAGEMENT (CONTINUED)

31.3 Market risk (continued)

Interest rate risk (continued)

The table below shows the interest rate repricing gap analysis;

As at 31 December 2020	Up to 3 months ZWL	3 months - 1 year ZWL	Over 1 year ZWL	Total ZWL
Assets				
Cash and cash equivalents	149 243 059	-	-	**149 243 059**
Loans and advances to customers	25 268 892	52 931 054	4 111 549	**82 311 495**
	174 511 951	**52 931 054**	**4 111 549**	**231 554 554**
Liabilities				
Deposits from customers	116 741 148	-	-	**116 741 148**
Borrowings	13 638 067	85 671 817	795 606	**100 105 490**
	130 379 215	**85 671 817**	**795 606**	**216 846 638**
Interest rate repricing gap	**44 132 736**	**(32 740 763)**	**3315 943**	**14 707 916**
Cumulative gap	**44 132 736**	**11 391 973**	**14 707 916**	**-**
As at 31 December 2019				
Assets				
Cash and cash equivalents	110 732 583	-	-	**110 732 583**
Loans and advances to customers	60 681 444	92 858 600	19 050 798	**172 590 842**
	171 414 027	**92 858 600**	**19 050 798**	**283 323 425**
Liabilities				
Deposits from customers	56 114 793	-	1 669 392	**57 784 185**
Borrowings	30 971 302	234 740 709	11 937 568	**277 649 579**
	87 086 095	**234 740 709**	**13 606 960**	**335 433 764**
Interest rate repricing gap	84 327 932	(141 882 109)	5 443 838	**(52 110 339)**
Cumulative gap	**84 327 932**	**(57 554 177)**	**(52 110 339)**	**-**

31.4 Foreign currency risk

The Microfinance Bank takes on exposure to the effects of fluctuations in the prevailing foreign currency exchange rates on its financial position and cash flows. Foreign Exchange risk arises from having transactions and balances denominated in currencies that are not the functional and presentation currency, the 'ZWL Dollar'. The Microfinance Bank does not use hedge instruments to manage foreign currency exchange risk.

The table below indicates the currencies to which the Microfinance Bank had significant exposure at 31 December on all its assets and liabilities. The analysis reflects the mismatch by currency. The amounts are shown at the equivalent values in Zimbabwean Dollars (ZWL), the presentation currency;

	USD	RAND	GBP	EUR	BWP	TOTAL
As at 31 December 2020						
Assets						
Cash and cash equivalents	90 344 606	19 283 150	117 006	244 835	291 892	**110 281 489**
Liabilities						
Related party liabilities	(526 929)	-	-	-	-	**(526 929)**
Deposits from customers	(63 803 766)	-	-	-	-	**(63 803 766)**
Net foreign exchange Position	**26 013 911**	**19 283 150**	**117 006**	**244 835**	**291 892**	**45 950 794**

Foreign exchange risk sensitivity analysis

At 31 December 2020, if foreign exchange rates at that date had been 10 percent lower with all other variables held constant, profit and reserves for the year would have been ZWL1 560 084 (December 2019:ZWL1 560 084) lower. If foreign exchange rates had been 10 percent higher, with all other variables held constant, profit and reserves would have been ZWL1 560 084 (December 2019:ZWL1 560 084) higher.

31.5 Capital risk management

The Microfinance Bank's objectives when managing capital, which is a broader concept than the 'equity' on the face of the statement of financial position, are:
- to comply with the capital requirements set by the Microfinance Banking regulators;
- to safeguard the Microfinance Bank's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits to customers and other stakeholders and;
- to maintain a strong capital base to support the development of its business.

The Microfinance Bank's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The impact of the level of capital on shareholders' return is also recognised and the Microfinance Bank recognises the need to maintain a balance between the higher returns that might be possible with greater gearing and the advantages and security afforded by a sound capital position.

The Microfinance Bank's capital resources should therefore be adequate to absorb losses such as operating losses, and capital losses on investments. So long as net losses can be fully offset against capital invested by the Microfinance Bank's owners, the legal claims of clients or other creditors are not compromised, and the Microfinance Bank can continue to function without interrupting its operations.

The Microfinance Bank has complied with all externally imposed capital requirements throughout the period. There have been no material changes in the Microfinance Bank's management of capital during the period. The Reserve Bank of Zimbabwe ("RBZ") regulates the minimum capital requirements of all microfinance lenders. The shareholders' equity for the Microfinance Bank at year end of ZWL129 202 077, was in compliance with the RBZ's minimum capital requirement of ZWL5 000 000. Management determines capital requirements by analysing cash flow projections and taking into account growth and defined gearing ratios.

The gearing ratios is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including current and non-current borrowings) less cash and cash equivalents as shown in the statement of financial position. Total capital is calculated as "equity" as shown in the statement of financial position plus net debt.

	December 2020 ZWL	December 2019 ZWL
Total borrowings		
Other financial borrowings	100 105 490	46 964 770
	100 105 490	46 964 770
Less: Cash and cash equivalents	86 349 164	24 685 056
Net debt	13 756 326	22 279 714
Total equity	129 202 077	50 201 338
Total capital	142 958 403	72 481 052
Gearing ratio	10%	31%

Capital adequacy and the use of regulatory capital is monitored daily by the Microfinance Bank's management and the directors employing techniques based on guidelines developed by the Basel Committee as implemented by the Reserve Bank of Zimbabwe for supervisory purposes. The Microfinance Bank's regulatory capital is managed by management and comprises three tiers;

- Tier 1 Capital: capital representing a permanent commitment of funds by the shareholders of the microfinance bank (net of any loans and advances given to an insider) which is available to meet losses incurred without imposing a fixed unavoidable charge on the institution's earnings, and includes such of the following elements as are available to the institution after making any required deductions (a) issued and fully paid up ordinary shares or common stock; (b) paid up non-cumulative irredeemable preference shares; (c) reserves consisting of (i) non-repayable share premiums; (ii) disclosed reserves created by a charge to net income in the financial year immediately preceding the current one; (iii) published retained earnings for the current year, including interim earnings, where these have been verified by external auditors; (d) minority interests in subsidiaries arising on consolidation;

- Tier 2 Capital: comprises impairment allowance, revluation reserves, undisclosed reserves, hybrid capital instruments and subordinated term debt.

31 RISK MANAGEMENT (CONTINUED)

31.5 Capital risk management (continued)

	December 2020 ZWL	December 2019 ZWL
Capital adequacy		
Share capital	116	116
Share premium	8 562 235	8 562 235
Accumulated profits	120 639 726	41 619 093
Other reserves	-	19 894
	129 202 077	50 201 338
Less: deductions		
Insider loans	-	(88 137)
Encumbered assets (Bank facility)	(7 925 834)	(10 657 241)
Total core capital	**121 276 243**	**39 455 960**
Supplementary capital		
General provisions	1 924 575	489 478
Core capital plus supplementary	123 200 818	39 945 438
Net capital base	123 200 818	39 945 438
Risk weighted assets	153 965 982	77 425 523
Tier 1 Ratio	79%	51%
Tier 2 Ratio	80%	52%
Capital adequacy ratio	80%	52%

The Microfinance Bank has 3 classes of risk weighted assets. They are Credit, Market, and Operational risk assets which are components of the Capital Adequacy Ratio ("CAR") calculation. Risk weighted assets are used to determine the minimum amount of capital that must be held by banks to reduce the risk of failure. The capital requirement is based on a risk assessment for each type of bank asset. The required Tier 1 ratio is 12%, Tier 2 is 15%. This is based on operational guidelines for Deposit taking Microfinance Institutions.

Capital charges are assigned as below:

Credit risk capital

Credit risk capital is subject to guidelines provided by the regulator which are based on Basel 1 principles. On this approach the Microfinance Bank's book exposures are categorised into broad classes of assets with different underlying risk characterised. Risk components are transformed into risk weighted assets using predetermined exposure and loss probability factors. Capital requirements for credit risk are derived from the risk weighted assets.

Market risk capital

Market risk capital is assessed using regulatory guidelines which consider the risk characteristics of the different trading book assets. Risk components are transformed into risk weighted assets and, therefore, capital requirements, based on predetermined exposure and loss probability factors.

Operational risk capital

This is the risk of losses arising from inadequate or failed internal processes, people and/or systems or from external events. Practices to minimise operational risk are embedded across all transaction cycles. Departmental key risk indicators are used for the purpose of identifying major risks in the operating environment and methods of mitigating the risks. The Microfinance Bank employs the standardised approach to determine capital required to cover operational risk. Each function carries out a risk and control assessment of their processes on a regular basis. The assessment results are reviewed by the Executive Committee of the Microfinance Bank. Internal Audit audits selected functions at given times.

Total capital

Total capital for the Microfinance Bank is assessed to be sufficient to support current business and planned capital projects. Growth in advances will continue to be pursued in such a way as to achieve economic asset yields.

31.6 Risk Ratings

The Reserve Bank of Zimbabwe conducted an offsite inspection on the Microfinance Bank in the last quarter of 2020 and detailed below were the final ratings.

CAMEL* Component	RBS** Rating 31 Dec 2020
Capital Adequacy	1
Asset/Portfolio quality	2
Management, Corporate Governance and Outreach	3
Earnings	2
Liquidity and Funds Management	2

*CAMEL is an acronym for Capital Adequacy, Asset quality, Management, Earnings, and Liquidity.
CAMEL rating system uses a rating scale of 1-5, where '1' is Strong, '2' is Satisfactory, '3' is Fair, '4' is Weak and '5' is Critical.
**RBS stands for Risk-Based Supervision

32 FAIR VALUE OF ASSETS AND LIABILITIES

IFRS 13 'Fair value measurement' requires an entity to classify its assets and liabilities according to a hierarchy that reflects the observability of significant market inputs. The three levels of the fair value hierarchy are defined below:

Quoted market prices - level 1

Assets and liabilities are classified as level 1 if their value is observable in an active market. Such instruments are valued by reference to unadjusted quoted prices for identical assets or liabilities in active markets where the quoted price is readily available, and the price represents actual and regularly occurring market transactions. An active market is one in which transactions occur with sufficient volume and frequency to provide pricing information on an ongoing basis.

Valuation technique using observable inputs - level 2

Assets and liabilities classified as level 2 have been valued using models whose inputs are observable in an active market either directly (that is, as prices) or indirectly (that is, derived from prices).

Valuation technique using significant and unobservable inputs - level 3

Assets and liabilities are classified as level 3 if their valuation incorporates significant inputs that are not based on observable market data (unobservable inputs). A valuation input is considered observable if it can be directly observed from transactions in an active market, or if there is compelling external evidence demonstrating an executable exit price.

Comparison of carrying amounts and fair values for assets and liabilities not held at fair value

The fair value of loans advanced to customers, lines of credit and amounts due to group companies approximate the carrying amount due to the short term nature of the financial assets and liabilities.

32 FAIR VALUE OF ASSETS AND LIABILITIES (CONTINUED)

Comparison of carrying amounts and fair values for assets and liabilities not held at fair value (continued)

Fair value hierarchy	Level 1 ZWL	Level 2 ZWL	Level 3 ZWL	31 Dec 2020 ZWL
As at 31 December 2020				
Loans and advances to customers and shareholders	-	-	82 311 495	82 311 495
Financial assets at amortised cost	-	-	-	-
Investment properties	-	-	152 780 000	152 780 000
Other assets	-	-	14 142 554	14 142 554
Total	**-**	**-**	**249 234 049**	**249 234 049**
Other financial liabilities	-	-	25 830 974	25 830 974
Deposits from customers	-	-	116 741 148	116 741 148
Borrowings	-	-	100 105 490	100 105 490
Total	**-**	**-**	**242 677 612**	**242 677 612**

Fair value hierarchy	Level 1 ZWL	Level 2 ZWL	Level 3 ZWL	31 Dec 2019 ZWL
As at 31 December 2019				
Loans and advances to customers and shareholders	-	-	38 470 928	38 470 928
Financial assets at amortised cost	-	-	12 822 837	12 822 837
Investment properties	-	-	34 107 000	34 107 000
Other assets	-	-	10 554 973	10 554 973
Total	**-**	**-**	**95 955 738**	**95 955 738**
Other financial liabilities	-	-	7 463 085	7 463 085
Deposits from customers	-	-	12 718 972	12 718 972
Borrowings	-	-	46 964 770	46 964 770
Total	**-**	**-**	**67 146 827**	**67 146 827**

The fair values of other financial liabilities are based on cash flows discounted using rates based on the borrowing rate at which a third party would be lending. For loans from financial institutions the rate charged by these institutions has been applied to calculate their fair value. These loans are within level 3 of the hierarchy as the discount rates which take into account the Microfinance Bank's credit risk are not based on obtainable market data due to the absence of such data. All assets and liabilities in the table above, with the exception of investment property, are recorded at amortised cost. The fair value inputs for investment property have been disclosed in **note 3.3**.

Sensitivity analysis

Sensitivity analysis is performed on valuation of investment property with significant unobservable inputs (level 3) to generate a range of reasonable alternative valuations. The sensitivity methodologies applied take account of the nature of valuation techniques used, as well as the availability and reliability of observable proxy and historical data and the impact of using alternative methods. The valuation techniques and sensitivity analysis for investment classified in level 3 are described below:

Observability

Since each property is unique in nature, valuation inputs are largely unobservable. There are inter-relationships between unobservable inputs. Increases or decreases in construction costs that enhance the property's features may result in an increase in future rental values and/or replacement costs.

	31 December 2020 ZWL	31 December 2019 ZWL
Change in land value per square meter (sales comparison):		
5% change in replacement cost per square meter	7 639 000	1 705 350
Change in rentals per square meter (Implicit Investment Approach):		
5% change in rentals per square meter	7 509 986	1 676 549
Change in the yield earned (Implicit investment approach):		
1% change in yield earned on the investment properties	15 278 000	3 410 700

Unobservable inputs for the other financial assets and liabilities are derived from the specific contractual terms.

33 BORROWING POWERS

The Directors may exercise all the powers of the Microfinance Bank to borrow money and to mortgage or charge its undertaking, property and uncalled capital, or any part thereof, and to issue debentures, debenture stock and other securities whether outright or as security for any debt, liability or obligation of the Microfinance Bank or of any third party.

34 CONTINGENT LIABILITIES

There were no contingent liabilities as at as at 31 December 2020 (31 December 2019: ZWLnil).

35 CORRECTION OF PRIOR PERIOD ERRORS

During the year, the Microfinance Bank identified an accounnting error that had been made in 2019 relating to its leases for the Bulawayo and Mutare branches. The financial statements of 2019 have been restated to correct this error.

The effects of the restatement has been summarised as below:

	INFLATION ADJUSTED	HISTORICAL COST
	December 2019 ZWL	December 2019 ZWL
Effect on statement of profit or loss and other comprehensive income		
Increase in finance costs	(1 440 736)	(321 176)
Decrease in rental costs	485 513	108 233
Increase in depreciation costs	(465 735)	(103 824)
Decrease in tax expense	351 262	78 305
Decrease in retained earnings	**(1 069 697)**	**(238 462)**
Effect on statement of financial position		
Increase in lease liability	(7 774 673)	(1 211 406)
Increase in right of use asset	6 819 450	998 463
Increase in accumulated depriciation	(465 735)	(103 824)
Increase in deffered tax asset	351 262	78 305
Decrease in equity	**(1 069 697)**	**(238 462)**

36 CAPITAL COMMITMENTS

There were no authorised and contracted or authorised but uncontracted capital expenditure as at 31 December 2020. (31 December 2019:ZWLNil)

37 EVENTS AFTER THE REPORTING DATE

The Microfinance Bank has received a line of credit amounting to ZWL300 million in March 2021 from a local financial institution which will be receiveable by the Microfinance Bank.

Grant Thornton

INDEPENDENT AUDITOR'S REPORT

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To the members of GetBucks Microfinance Bank Limited

Report on the Audit of the Inflation Adjusted Annual Financial Statements

Adverse Opinion

We have audited the inflation adjusted annual financial statements of GetBucks Microfinance Bank Limited set out on pages 10 to 59, which comprise the inflation adjusted statement of financial position as at 31 December 2020, and the inflation adjusted statement of profit or loss and other comprehensive income, the inflation adjusted statement of changes in equity and the inflation adjusted statement of cash flows for the year then ended, and the notes to the inflation adjusted financial statements, including a summary of significant accounting policies.

In our opinion, because of the significance of the matters described in the *Basis for Adverse Opinion* section of our report, the inflation adjusted annual financial statements do not present fairly, in all material respects, the inflation adjusted financial position of GetBucks Microfinance Bank Limited as at 31 December 2020, and its inflation adjusted financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for Adverse Opinion

Non-compliance with IAS 21 on the accounting of comparatives and transactions for the period

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. During the prior financial year up to 22 February 2019, the company transacted using a combination of Nostro FCA (USD) and RTGS FCA (electronic payment), including mobile money, bond notes and coins.

In order to comply with SI 33/2019, the RTGS transactions and balances for the prior year were accounted for on the basis of a rate of 1:1 between USD and RTGS. The Company changed the functional currency on 22 February 2019 in compliance with legislation. This was not consistent with IAS 21, in which compliance would have resulted in the reassessment of the functional currency at a date earlier than 22 February 2019.

In addition, during the period 22 February 2019 to 31 December 2020, the foreign currency denominated transactions and balances were translated into ZWL using the official interbank exchange rate which is not considered an appropriate spot rate for translations as required by IAS 21. The opinion on the prior year financial statements was modified in respect of this matter and the misstatements have not been corrected in the financial statements for the year ended 31 December 2020.

Had the Company applied the requirements of IAS 21, 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 material and pervasive to the financial statements, taken as a whole. The financial effects on the financial statements of this departure have not been determined.

Non-compliance with International Accounting Standard (IAS) 29 - Financial Reporting in Hyperinflationary Economies

The Directors have applied the IAS 29 - *Financial Reporting in Hyperinflationary Economies* with effect from 1 January 2019 to 31 December 2020. However, its application was based on prior and current year's financial information which was not in compliance with IAS 21 as described above. Had the correct base numbers been used, most elements of the financial statements would have been materially different. The impact of the departure from the requirements of these standards is considered material and pervasive to the financial statements.

Fair value determination for assets, transactions and liabilities

The determination of fair values for assets, transactions and liabilities presented in the inflation adjusted annual financial statements is affected by the prevailing economic environment and may therefore be distorted. This may result in significant variations in fair values, depending on factors and assumptions used in the determination of the fair values.

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 Inflation Adjusted Annual 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.

Emphasis of matter

We draw attention to **Note 3.5.1** of the inflation adjusted annual financial statements, which describes the uncertainties related to the COVID-19 outbreak. Our opinion is not modified in respect of this matter.

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 period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. The key audit matters noted below relate to the financial statements.

Key Audit Matter	How our audit addressed the Key Audit Matter
Interest and similar income Overstatement of interest income and similar income. Interest income is a key measure used to evaluate the performance of the Company. There is a presumed fraud risk with regards to revenue recognition as guided by International Standard on Auditing (ISA 240). There is a risk that the income is presented at amounts higher than what has been actually generated by the company. This is a significant risk and accordingly a key audit matter.	**Our audit procedures included the following:** • Our audit procedures include testing of design, existence and operating effectiveness of internal controls implemented as well as test of details to ensure accurate processing of interest and similar income. • We identified key controls and tested these controls to obtain satisfaction that they were operating effectively for the year under review. • The results of our controls testing have been the basis for the nature and scoping of the additional test of details, which mainly consisted of testing individual transactions by reconciling them to external sources (supporting documentation). • Furthermore, we performed analytical procedures and assessed the reasonableness of explanations provided by management. We satisfied ourselves that the Company's interest and similar income recognition criteria is adequate and appropriate.
Loans and advances Loans and advances form a major portion of the Bank's assets, and due to the significant judgement using subjective assumptions over both when and how much to record as loan impairment, and estimation of the amount of the impairment provision for loans	**Our audit procedures included the following:** • Our audit procedures include testing of design, existence and operating effectiveness of internal controls implemented as well as test of details to ensure accurate processing of loans and

and advances, this audit area is considered a key audit risk.	advances. • We obtained understanding of the Bank's key credit processes comprising granting, booking, monitoring and provisioning of loans. • We identified key controls involved in the issuance of loans and tested these controls to obtain satisfaction that they were operating effectively for the year under review. • The results of our controls testing have been the basis for the nature and scoping of the additional test of details, which included recomputation of loan balances and reconciling them to loan system balances. • We assessed reasonableness and checked the allowance for credit losses calculations. • We performed analytical procedures and assessed the reasonableness of explanations provided by management. We satisfied ourselves that the Company's loan and advances recognition criteria is adequate and appropriate.

Other information

The Directors are responsible for the other information. The other information comprises the Directors' Report, Chairman's Statement and Company Secretary's Certificate, as required by the Companies and Other Business Entities Act (Chapter 24:31), which we obtained prior to the date of this Auditors' Report. The other information does not include the financial statements and our Auditor's Report thereon.

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

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

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

Management is responsible for the preparation and fair presentation of the inflation adjusted annual 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 inflation adjusted annual financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the inflation adjusted annual 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 Inflation Adjusted Annual Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty

exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the business activities within the Company to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the Company audit. We remain solely responsible for our audit opinion.

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

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

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

Report on other legal and regulatory requirements

In our opinion, except for the possible effects of the matters described in the *Basis for Adverse Opinion* paragraph, the inflation adjusted annual financial statements have been properly prepared in compliance with the requirements of the Companies and Other Business Entities Act (Chapter 24:31), Microfinance Act (Chapter 24:29) and the relevant Statutory Instruments.

The engagement partner on the audit resulting in this Independent Auditor's Report is Edmore Chimhowa.

Grant Thornton

Edmore Chimhowa
Partner

Registered Public Auditor (PAAB No: 0470)

Grant Thornton **26 March 2021**
Chartered Accountants (Zimbabwe)
Registered Public Auditors

HARARE