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 2022

Financial highlights

Interest revenue
DECREASED 33%
ZWL 1,092 million from **ZWL 1,630 million**

Headline earnings per share
DECREASED 140%
8.94 cents per share from **56.71 cents per share**

Microfinance Bank's assets
INCREASED 19%
ZWL 4.145 billion from **ZWL 3.5 billion**

Profit before tax
INCREASED 186%
ZWL 136.2 million from **ZWL 47.6 million**

Earnings per share
DECREASED 140%
24.53 cents per share from **61.64 cents per share**

The board of directors of GetBucks Microfinance Bank Limited (the "Bank") present the audited financial results of the Microfinance Bank for the year ended 31 December 2022.

Financial highlights of the Microfinance Bank
The inflation adjusted audited full year financial results (the "financial results") when compared to the prior year ended 31 December 2021 ("comparative period"), are set out below:

- Interest revenue for the year decreased by 33% to ZWL1,092 million compared to ZWL1,630 million for the comparative period;
- Profit before tax for the year increased by 186% to ZWL136.2 million compared to a profit of ZWL47.6 million for the comparative period;
- Headline earnings per share decreased by 140% to a loss of 8.94 cents per share compared to the headline loss per share of 56.71 cents for the comparative period;
- Earnings per share decreased by 140% to a loss of 24.53 cents per share compared to the earnings per share of 61.64 cents per share for the comparative period; and
- The Microfinance Bank's assets increased by 19% to ZWL 4.145 billion compared to ZWL 3.5 billion for the comparative period.

No dividends were declared or paid during 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 2022 which have been audited by Grant Thornton Chartered Accountants (Zimbabwe) in accordance with International Standards on Auditing (ISAs). The auditors have issued a qualified opinion on the audited inflation adjusted financial statements of the Microfinance Bank, for the year then ended. The qualified opinion was issued regarding non-compliance with International Accounting Standard (IAS) 21 – 'The Effect of Changes in Foreign Exchange Rates' in the prior financial years and International Accounting Standard (IAS) 8 – 'Accounting Policies, Changes in Accounting Estimates and Errors' and an inability to obtain sufficient appropriate audit evidence on other receivables account balance. There is an emphasis of matter regarding material uncertainty related to going concern.

The auditor's report includes a section on key audit matters outlining matters that in the auditor's professional judgement, were of most significance in the audit of the inflation adjusted financial statements. The key audit matters were with respect to recognition of revenue and loans and advances.

The auditor's report on the inflation adjusted financial statements and the audited inflation adjusted financial statements, is available for inspection at the company's registered office and the auditor's report has been lodged with the Zimbabwe Stock Exchange.

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 2022 which may be downloaded from the Company's website at: *http://www.getbucksbank.com* and may also be viewed, at no cost, at the Zimbabwe Stock Exchange website.

By Order of the Board of Directors,

Wimbayi Chigumbu
Chief Finance Officer

28 April 2023

GetBucksBank
Banking, *but better!*

Directors:
Dr. R. Mbire (Board Chairman), E. Chavora* (Managing Director), W. Chigumbu* (Chief Finance Officer), M. Madamombe* (Chief Operating Officer), J. Machiva, P. Soko, T. Munowenyu, S. Chibaya. ***Executive**
Registered Office: 24 Princess Drive, Newlands, Harare, Zimbabwe.

GetBucks Bank
Banking, *but better!*

GetBucks Microfinance Bank Limited

Abridged Financial Statements
For the year ended 31 December 2022

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

GetBucks is a member of the Deposit Protection Corporation

GetBucks
Microfinance Bank
Registered deposit taking microfinance institution

GetBucks
Microfinance Bank

Abridged Financial Statements
For the year ended 31 December 2022

CHAIRMAN'S STATEMENT

Dear Stakeholders,
I am pleased to present the results for the year ended 31 December 2022, which again showed that GetBucks Microfinance Bank Limited ('the Microfinance Bank'') has been very resilient, in the face of inflationary pressures and market disruptions in the operating environment.

The operating environment continued to be characterised by significant challenges in the year 2022, The central bank adopted an aggressive tight monetary policy beginning of the third quarter first by stopping all lending activities by banks and microfinance institutions and the uplifting the ban and then hiking the bank policy rate to 200% per annum in an effort to tame inflation. Annual inflation rate closed at 243.8% in December 2022 up from 60.74% in December 2021, the operating environment continued to experience significant increases in prices of goods and services. The market continued to suffer from inadequate foreign currency inflows and limited inflows into financial institutions due to the liquidation thresholds set by the regulators. Despite these challenges, the Microfinance Bank showed resilience.

Operational Results
The Microfinance Bank recorded a profit before tax of ZWL 136.2 million representing a 186% increase from prior year inflation adjusted profit of ZWL 47.6 million. Operating expenses increased by 19% during the year under review from ZWL 1.372 billion in 2021 to ZWL 1.64 billion in 2022. The increase was lower than the average inflation for the year under review as the Microfinance Bank embarked on a cost cutting drive while operating in an inflationary environment. Borrowings increased from ZWL976 million to ZWL 1.404 billion as the Microfinance Bank managed to mobilise new lines of credit. Customer deposits increased 132% to close at ZWL631 million from ZWL272 million in 2021. The increase is attributable to the increased use of the USD in the economy. The Microfinance Bank is now issuing loans in USD and deposits in this currency tend to stick a bit longer. There, however, still exists a general market's reluctance to hold on to monetary assets especially in ZWL considering the inflationary pressure and fear of real monetary loss due to currency depreciation. The loan book increased by 147%, growing from ZWL617 million in 2021 to close at ZWL 1.526 billion in 2022.

Financial Position
The Microfinance Bank grew its total assets by 19%, from ZWL 3.482 billion to ZWL 4.145 billion, the growth in the assets is main attributed to the increase in the loan book. The Microfinance Bank was able to access USD credit lines and extend these to its customer base. As at 31 December 2022, the Microfinance Bank had foreign currency denominated commitments of ZWL 1.330 billion.

Capital
The Microfinance Bank's net equity position was ZWL 1.534 billion as at 31 December 2022. To ensure compliance with the regulatory minimum capital requirement extended deadline of 31 December 2023, the Microfinance Bank is working on a recapitalisation plan as detailed in the Outlook section below.

Dividend
No dividend has been declared for the period under review.

Directorate
During the reporting period, Mr. Patrick Matute, and George Nheweyembwa resigned as directors of the board. Mr. Edwin Chavora, Mrs. Thembi Munowenyu and Ms. Sibusisiwe Chibaya were appointed to the board. Edwin Chavora was appointed as the substantive managing director on the 1st of July 2022. The Board of Directors wishes to extend its gratitude to the outgoing directors and wish Edwin every success in the new role.

Outlook
The Microfinance Bank is in the process of negotiating transactions as part of its capital raise initiative. The anticipated capital raise will help the Microfinance Bank address the regulatory minimum capital requirement of USD 5 million equivalent. The raised capital will reduce the Microfinance Bank's cost of funding, as well as capacitating the Microfinance Bank's expansion drive.

Trading in USD ensures a significant degree of certainty in planning and operations; however the local currency continues to be pummeled by both inflation and exchange loss against all the major currencies. These vices necessitate the Microfinance Bank continues to implement capital preservation initiatives to preserve shareholder value.

Appreciation
I would like to thank all our valued stakeholders, my fellow directors, management and staff for their hard work and contribution during the year and the achievement of these results in a tough operating environment.

DR. R. MBIRE
CHAIRMAN

28 April 2023

MANAGING DIRECTOR'S STATEMENT

It gives me great pleasure to present to you the Getbucks Microfinance Bank's financial performance for the year ended 31 December 2022.

Introduction
The period under review was challenging. The local currency continued to devalue against the United States Dollar causing sustained high levels of inflation. Disruptions plagued the market as monetary and fiscal authorities crafted a raft of measures to contain inflation. The measures included effecting a moratorium on lending, hiking bank policy interest rates to 200% and the withholding of payments to government suppliers.

Operating Environment
The institution battled rising operational cost because of the high levels of Inflation during the period under review. The moratorium on lending also disrupted the revenue generation side of the business. High interest rates discouraged borrowers from borrowing the local currency unit and focus shifted to United States dollar lending.

Our Products and Service Commitments
Despite the tough economic environment that institution held on to it's market share in the microlending space showing high the levels of goodwill in the brand. United States denominated loans were rolled out and the uptake has been encouraging.

Outlook
We are optimistic about the business prospects for the Microfinance Bank in 2023. The recapitalization of the institution that was expected to be concluded in 2022 will happen in 2023 which should see us being able to underwrite more business.

The increased use of the United States dollar in the economy will boost the institutions lending capacity and also help preserve earnings.

Headwinds will continue to come from inflationary pressures being experienced due to currency volatility. Elections will also slow down growth as businesses tend to adopt a wait and see approach in an election year.

Appreciation
My heartfelt appreciation goes out to all our valued customers and stakeholders who have shown unwavering support to GetBucks Microfinance Bank. I am very grateful to my fellow directors for the steering arms that held strong during the year, and I am equally grateful to the Microfinance Bank's employees for their resilience and dedication. Thank you all.

Edwin Chavora
MANAGING DIRECTOR

28 April 2023

AUDITOR'S STATEMENT

These abridged audited financial statements derived from the audited inflation adjusted financial statements of Getbucks Microfinance Bank Limited for the financial year ended 31 December 2022, should be read together with the complete set of audited inflation adjusted financial statements of the Microfinance Bank , for the year ended 31 December 2022, which have been audited by Grant Thornton Chartered Accountants (Zimbabwe) and the auditor's report signed by Edmore Chimhowa, Registered Public Auditor 0470.

A qualified opinion has been issued on the audited inflation adjusted financial statements of the Microfinance Bank, for the year then ended. The qualified opinion was issued regarding non-compliance with International Accounting Standard (IAS) 21 – 'The Effect of Changes in Foreign Exchange Rates' in the prior financial years and International Accounting Standard (IAS) 8 – 'Accounting Policies, Changes in Accounting Estimates and Errors' and an inability to obtain sufficient appropriate audit evidence on other receivables account balance. There is an emphasis of matter regarding material uncertainty related to going concern.

The auditor's report includes a section on key audit matters outlining matters that in the auditor's professional judgement, were of most significance in the audit of the inflation adjusted financial statements. The key audit matters were with respect to recognition of revenue and loans and advances. The auditor's report on the inflation adjusted financial statements and the audited inflation adjusted financial statements, is available for inspection at the company's registered office and the auditor's report has been lodged with the Zimbabwe Stock Exchange.

STATEMENT OF FINANCIAL POSITION
As at 31 December 2022

		INFLATION ADJUSTED		HISTORICAL COST	
All figures in ZWL	**Notes**	**2022**	**2021**	**2022**	**2021**
ASSETS					
Cash and cash equivalents	4	549 415 056	711 862 892	549 415 056	207 083 544
Loans and advances to customers	5.1	1 526 655 858	617 194 904	1 526 655 858	179 544 277
Other assets	6	144 500 370	164 341 282	90 076 157	38 151 136
Tax receivable	7	23 081 190	26 629 084	-	1 122 554
Investment properties	9	517 000 000	475 896 332	517 000 000	138 440 000
Right of use asset	10	52 887 768	30 343 273	15 612 468	445 185
Property and equipment	11	1 311 248 561	1 437 137 601	1 151 149 830	322 979 205
Intangible assets	12	20 313 402	19 035 465	3 736 865	804 850
Total assets		**4 145 102 205**	**3 482 440 833**	**3 853 646 234**	**888 570 751**
EQUITY AND LIABILITIES					
Equity attributable to the owners of the Company					
Share capital	13.1	25 307	25 307	116	116
Share premium	13.2	1 483 650 138	1 483 650 138	8 562 235	8 562 235
Revaluation reserves		476 386 657	549 788 816	793 886 312	158 927 372
(Accumulated loss)/retained earnings		(433 642 340)	(403 048 545)	472 980 506	227 661 885
Total equity		**1 526 419 762**	**1 630 415 716**	**1 275 429 169**	**395 151 608**
LIABILITIES					
Deposits from customers	14	631 521 352	272 410 215	631 521 352	79 245 137
Other financial liabilities	15	274 228 275	356 958 647	274 228 275	103 840 590
Borrowings	16	1 404 219 345	976 142 281	1 404 219 345	283 963 393
Deferred tax liability	8	308 713 471	246 513 974	265 822 753	26 370 023
Tax payable	7	-	-	2 425 340	-
Total liabilities		**2 618 682 443**	**1 852 025 117**	**2 578 217 065**	**493 419 143**
Total equity and liabilities		**4 145 102 205**	**3 482 440 833**	**3 853 646 234**	**888 570 751**

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 28 April 2023 and signed on its behalf by:

Dr. R. Mbire
CHAIRMAN

28 April 2023

Mr. E. Chavora
MANAGING DIRECTOR

28 April 2023

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
for the year ended 31 December 2022

		INFLATION ADJUSTED		HISTORICAL COST	
All figures in ZWL	**Notes**	**2022**	**2021**	**2022**	**2021**
Interest income	17	1 092 439 379	1 630 101 026	727 138 889	375 556 964
Interest expense	18	(693 490 776)	(668 779 326)	(482 340 426)	(156 343 236)
Net interest income		**398 948 603**	**961 321 700**	**244 798 463**	**219 213 728**
Fee and commission income	19	403 135 554	392 599 132	265 864 602	93 279 222
Other income		89 911 644	21 066 783	72 168 353	4 740 600
Gain on foreign exchange		295 154 786	26 205 955	202 420 663	6 631 582
Fair value adjustment	9	292 171 607	352 742	547 471 240	70 190 350
Total net income		**1 479 322 194**	**1 401 546 313**	**1 332 723 321**	**394 055 482**
Allowance for expected credit losses		(48 033 923)	(77 579 160)	(31 028 845)	(18 944 343)
Operating expenses	20	(1 635 635 410)	(1 372 006 310)	(1 025 427 177)	(322 325 585)
Net monetary adjustment		340 578 700	95 681 103	-	-
Profit before taxation		**136 231 561**	**47 641 946**	**276 267 299**	**52 785 554**
Income tax (expense) / credit	21	(166 825 356)	62 119 621	(30 948 678)	54 236 605
(Loss) / profit for the year		**(30 593 795)**	**109 761 567**	**245 318 621**	**107 022 159**
Revaluation (loss) / gains on property and equipment	11	(97 505 525)	730 325 207	843 462 992	211 667 422
Tax on revaluation of property and equipment	8	24 103 366	(180 536 391)	(208 504 052)	(52 740 050)
Total comprehensive (loss)/income for the year, net of tax		**(103 995 954)**	**659 550 383**	**880 277 561**	**265 949 531**
Basic and diluted (loss)/earnings per share (cents)	13	**(8.94)**	**56.71**	**75.68**	**22.87**
Headline (loss)/earnings per share (cents)	13	**(24.53)**	**61.64**	**42.71**	**19.59**

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

GetBucks
Microfinance Bank

Abridged Financial Statements
For the year ended 31 December 2022

STATEMENT OF CHANGES IN EQUITY
For the year ended 31 December 2022

All figures in ZWL	INFLATION ADJUSTED Share capital	Share premium	Revaluation reserves	(Accumulated loss)	Total equity
YEAR ENDED 31 DECEMBER 2021					
Balance at 1 January 2021	**25 307**	**1 483 650 138**	**-**	**(512 810 112)**	**970 865 333**
Total comprehensive income for the year	-	-	549 788 816	109 761 567	**659 550 383**
Balance at 31 December 2021	**25 307**	**1 483 650 138**	**549 788 816**	**(403 048 545)**	**1 630 415 716**
Balance at 1 January 2022	**25 307**	**1 483 650 138**	**549 788 816**	**(403 048 545)**	**1 630 415 716**
Total comprehensive (loss) for the year	-	-	(73 402 159)	(30 593 795)	(103 995 954)
Balance at 31 December 2022	**25 307**	**1 483 650 138**	**476 386 657**	**(433 642 340)**	**1 526 419 762**

All figures in ZWL	HISTORICAL COST Share capital	Share premium	Revaluation reserves	Retained earnings	Total equity
YEAR ENDED 31 DECEMBER 2021					
Balance at 1 January 2021	**116**	**8 562 235**	**-**	**120 639 726**	**129 202 077**
Total comprehensive income for the year	-	-	158 927 372	107 022 159	**265 949 531**
Balance at 31 December 2021	**116**	**8 562 235**	**158 927 372**	**227 661 885**	**395 151 608**
YEAR ENDED 31 DECEMBER 2022					
Balance at 1 January 2022	**116**	**8 562 235**	**158 927 372**	**227 661 885**	**395 151 608**
Total comprehensive income for the year	-	-	634 958 940	245 318 621	**880 277 561**
Balance at 31 December 2022	**116**	**8 562 235**	**793 886 312**	**472 980 506**	**1 275 429 169**

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 2022

All figures in ZWL	Notes	INFLATION ADJUSTED 2022	2021	HISTORICAL COST 2022	2021
Cash flows from operating activities					
Cash (utilised) in operations	23	(1 407 742 810)	(680 651 336)	(1 714 931 004)	(398 902 967)
Interest received		1 535 298 873	1 977 028 249	1 032 904 629	453 336 053
Interest paid		(236 688 817)	(295 299 088)	(159 237 383)	(67 712 600)
Net cash flows (utilised in) / generated from operating activities		**(109 132 754)**	**1 001 077 825**	**(841 263 758)**	**(13 279 514)**
Cash flows from investing activities					
Proceeds from disposal of property, plant and equipment		803 002 444	4 597 898	233 596 376	1 054 306
Purchase of property, plant and equipment	11	(21 812 007)	(137 585 252)	(17 115 409)	(10 826 802)
Additions to intangible assets	12	(3 410 558)	(3 624 901)	(3 370 510)	(806 704)
Purchase of investment property	9	(43 237 235)	(87 917 555)	(29 088 760)	(20 159 650)
Net cash flows generated from/ (utilised in) investing activities		**734 542 644**	**(224 529 810)**	**184 021 697**	**(30 738 850)**
Cash flows from financing activities					
New borrowings		2 775 241 303	27 509 271 050	1 867 101 995	6 307 924 212
Repayments		(1 590 361 374)	(27 093 978 696)	(1 069 949 085)	(6 212 696 945)
Net cash flows generated from financing activities		**1 184 879 929**	**415 292 354**	**797 152 910**	**95 227 267**
Net increase in cash and cash equivalents		1 810 289 819	1 191 840 369	139 910 849	51 208 903
Cash and cash equivalents at the beginning of the year		711 862 892	824 642 617	207 083 544	149 243 059
Net foreign exchange differences on cash and cash equivalents		26 205 954	174 222 230	202 420 663	6 631 582
Inflation effect on cash and cash equivalents		(1 998 943 609)	(1 478 842 324)	-	-
Cash and cash equivalents at the end of the year	4	**549 415 056**	**711 862 892**	**549 415 056**	**207 083 544**

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2022

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 2021 :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 24 Princess Drive, Newlands, Harare, Zimbabwe.

On 21 June 2017 shareholders approved the change of name to Getbucks Microfinance Bank to better reflect the nature of the operations being undertaken.

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

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

Management anticipates that all relevant pronouncements will be adopted for the first period beginning on or after the effective date of the pronouncement. New Standards, amendments and Interpretations not adopted in the current year have not been disclosed as they are not expected to have a material impact on the Group's financial statements.

Covid-19-Related Rent Concessions beyond 30 June 2021 (Amendment to IFRS 16)

In May 2020, the IASB issued Covid-19-Related Rent Concessions (Amendment to IFRS 16). The pronouncement amended IFRS 16 Leases to provide lessees with an exemption from assessing whether a COVID-19-related rent concession is a lease modification. On issuance, the practical expedient was limited to rent concessions for which any reduction in lease payments affects only payments originally due on or before 30 June 2021. Since lessors continue to grant COVID-19-related rent concessions to lessees and since the effects of the COVID-19 pandemic are ongoing and significant, the IASB decided to look into whether to extend the time period over which the practical expedient is available for use.

The Changes in Covid-19-Related Rent Concessions beyond 30 June 2021 (Amendment to IFRS 16) amend IFRS 16 to permit a lessee to apply the practical expedient regarding COVID-19-related rent concessions to rent concessions for which any reduction in lease payments affects only payments originally due on or before 30 June 2022 (rather than only payments originally due on or before 30 June 2021); and specify that, in the reporting period in which a lessee first applies the amendment, a lessee is not required to disclose the information required by paragraph 28(f) of IAS 8.

New and revised IFRS Standards in issue but not yet effective

2.2.1 Amendments to IAS 12 - Deferred Tax related to Assets and Liabilities arising from a Single Transaction

In specific circumstances, entities are exempt from recognising deferred tax when they recognise assets or liabilities for the first time. There had been some diversity in practice as to whether the exemption applied to transactions such as leases and decommissioning obligations. These are transactions where entities recognise both an asset and a liability. The amendments require an entity to recognise deferred tax on certain transactions (eg leases and decommissioning liabilities) that give rise to equal amounts of taxable and deductible temporary differences on initial recognition. The amendments clarify that the initial recognition exemption set out in IAS 12 'Income Taxes' does not apply and entities are required to recognise deferred tax on these transactions. The aim of the amendments is to reduce diversity in the reporting of deferred tax on leases and decommissioning obligations.
Effective date
January 1, 2023

2.2.2 Amendments to IAS 1 - Disclosure of Accounting Policies

The amendments include a definition of 'accounting estimates' as well as other amendments to IAS 8 that will help entities distinguish changes in accounting policies from changes in accounting estimates. This distinction between these two types of changes is important as changes in accounting policies are normally applied retrospectively to past transactions and events, whereas changes in accounting estimates are applied prospectively to future transactions and events.
Effective date
January 1, 2023

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
For the year ended 31 December 2022

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2.3 Amendments to IAS 8 - Definition of Accounting Estimates

The amendment clarifies that in applying the '10 percent' test to assess whether to derecognise a financial liability, an entity includes only fees paid or received between the entity (the borrower) and the lender, including fees paid or received by either the entity or the lender on the other's behalf. The amendment is applied prospectively to modifications and exchanges that occur on or after the date the entity first applies the amendment. The amendment is effective for annual periods beginning on or after 1 January 2022, with early application permitted.

Effective date
January 1, 2022

2.2.4 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:

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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
For the year ended 31 December 2022

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5 Equipment (continued)

c) Revaluation

Under the revaluation model, revaluations should be carried out regularly, so that the carrying amount of an asset does not differ materially from its fair value at the balance sheet date. If an item is revalued, the entire class of assets to which that asset belongs should be revalued. Revalued assets are depreciated in the same way as under the cost model. If a revaluation results in an increase in value, it should be credited to other comprehensive income and accumulated in equity under the heading ""revaluation surplus"" unless it represents the reversal of a revaluation decrease of the same asset previously recognised as an expense, in which case it should be recognised in profit or loss. A decrease arising as a result of a revaluation should be recognised as an expense to the extent that it exceeds any amount previously credited to the revaluation surplus relating to the same asset.

When a revalued asset is disposed of, any revaluation surplus may be transferred directly to retained earnings, or it may be left in equity under the heading revaluation surplus. The transfer to retained earnings should not be made through profit or loss. The Microfinance Bank revalued the Land and Buildings as at 30 June 2022 and 31 December 2022. The revalution exercise was done by an independent valuer on both dates.

d) 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.

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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2022

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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

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 a lease agreement with a tenant on its property in Malborough. The lease agreement has less than twelve months remaining and as such is treated as an operating lease.

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

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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2022

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.11 Leases (continued)

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.

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 ZWL204 657. At year end, ZWL7 038 894 short term leases were outstanding, 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 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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
For the year ended 31 December 2022

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.12 Employee benefits (continued)

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.

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 receivedcash flows in full to a third party.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
For the year ended 31 December 2022

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.16 IFRS 9 Financial Instruments (continued)

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 o f 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.

2.17 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.

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
For the year ended 31 December 2022

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.17 Fair Value Measurement (continued)

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 2022	13 673	1.000
CPI as at 31 December 2021	3 978	3.438
CPI as at 31 December 2020	2 475	5.526
Average CPI 2022	9 199	
Average CPI 2021	3 135	
Average CPI 2020	1 579	

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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
For the year ended 31 December 2022

3 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

3.2 Impairment losses on loans and advances (continued)

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.

Fair values of the 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	(ZWL$37 785 - ZWL$55 000 per square metre)	264 000 000
Marlborough		100 000 000
Mandara		120 000 000
Ruwa		33 000 000
Market value		**517 000 000**
Total investment properties		**517 000 000**

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 2022, the Microfinance Bank's inflation adjusted total assets exceeded total liabilities by ZWL1.526 billion (2021: ZWL1.63 billion). Loan obligations that fell due within the next 12 months amounted to ZWL1.33 billion (2021: ZWL 942.6 million). The Microfinance Bank attained an inflation adjusted profit before tax of ZWL 136 million (2021: ZWL 47.6 million) while the historical cost numbers reflect a ZWL 276.2 million profit before tax (2021: ZWL 52.7 million).

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's operations improved during the year after the relaxation of the lockdown restrictions.
b. The Microfinance Bank is instituting cost rationalisation measures in response to changes in the operating environment.
c. The pronoucement allowing the Microfinance Bank to lend in USD improved the institutions ability to sell loans.
d. The Microfinance Bank has been estsblished USD demoninated lines of credit with Everprosperous WorldWide Limited.

3.5.1 Effects of COVID19 Pandemic
The COVID-19 pandemic reduced its effects beginning of 2022 which resulted in the relaxation of lockdown restrictions allowing normal business operations. This development has allowed the Microfinance Bank to resume its normal banking operations in January 2022 and thus business was conducted as usual resulting in improved operations during the year as compared to the previous year. The Microfinanance Bank continued to observe the World Health organisations guidelines to ensure health and safety of both its employees and that of the public.

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2022

4 CASH AND CASH EQUIVALENTS

All figures in ZWL	INFLATION ADJUSTED 2022	INFLATION ADJUSTED 2021	HISTORICAL COST 2022	HISTORICAL COST 2021
Cash and cash equivalents consist of:				
Cash on hand	338 783 642	48 006 850	338 783 642	13 965 370
Balances with the Reserve Bank of Zimbabwe	135 471 280	117 942 831	135 471 280	34 310 005
Bank balances	75 160 134	545 913 211	75 160 134	158 808 169
	549 415 056	**711 862 892**	**549 415 056**	**207 083 544**

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:

All figures in ZWL	INFLATION ADJUSTED 2022	INFLATION ADJUSTED 2021	HISTORICAL COST 2022	HISTORICAL COST 2021
Credit rating				
AA	63 588 762	11 834 219	63 588 762	3 442 618
A+	203 975	1 269 895	203 975	369 417
BBB+	4 250	14 166	4 250	4 121
BBB-	10 584 327	110 292 736	10 584 327	32 084 564
BB-	34 441 119	244 077 999	34 441 119	71 003 191
BB+	4 578 352	115 917 755	4 578 352	33 720 903
B+	1 509 726	620 666	1 509 726	180 554
Unrated	95 720 903	179 828 606	95 720 903	52 312 806
	210 631 414	**663 856 042**	**210 631 414**	**193 118 174**

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 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

All figures in ZWL	INFLATION ADJUSTED 2022	INFLATION ADJUSTED 2021	HISTORICAL COST 2022	HISTORICAL COST 2021
5.1 Loans and advances maturities				
Consumer loans				
Maturing within 3 months	382 982 508	186 073 805	382 982 508	54 129 557
Maturing within 3 - 12 months	226 393 482	304 780 027	226 393 482	88 661 635
Maturing 1- 5 years	2 014 294	-	2 014 294	-
Gross carrying amount	611 390 284	490 853 832	611 390 284	142 791 192
Less credit impairment (note 5.6)	(23 171 248)	(49 305 768)	(23 171 248)	(14 343 230)
Specific impairment allowance	(22 897 364)	(1 080 608)	(22 897 364)	(314 353)
Portfolio impairment allowance	(273 884)	(48 225 160)	(273 884)	(14 028 877)
Net carrying amount	**588 219 036**	**441 548 064**	**588 219 036**	**128 447 962**
Current (no more than 12 months after reporting date)	586 204 742	441 548 064	586 204 742	128 447 962
Non-current (more than 12 months after reporting date)	2 014 294	-	2 014 294	-
	588 219 036	**441 548 064**	**588 219 036**	**128 447 962**
SME loans				
Maturing within 3 months	952 795 210	129 302 663	952 795 210	37 614 622
Maturing within 3 - 12 months	1 990 218	55 762 580	1 990 218	16 221 540
Maturing 1- 5 years	248 777	5 359 783	248 777	1 559 181
Gross carrying amount	955 034 205	190 425 026	955 034 205	55 395 343
Less credit impairment	(16 597 383)	(15 557 021)	(16 597 383)	(4 525 595)
Specific impairment allowance	(6 529 651)	(13 828 284)	(6 529 651)	(4 022 699)
Portfolio impairment allowance	(10 067 732)	(1 728 737)	(10 067 732)	(502 896)
Net carrying amount	**938 436 822**	**174 868 005**	**938 436 822**	**50 869 748**
Current (no more than 12 months after reporting date)	938 188 045	169 508 222	938 188 045	49 310 567
Non-current (more than 12 months after reporting date)	248 777	5 359 783	248 777	1 559 181
	938 436 822	**174 868 005**	**938 436 822**	**50 869 748**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2022

5 LOANS AND ADVANCES TO CUSTOMERS (continued)

5.1 Loans and advances maturities (continued)

All figures in ZWL	INFLATION ADJUSTED 2022	INFLATION ADJUSTED 2021	HISTORICAL COST 2022	HISTORICAL COST 2021
Mortgage loans				
Maturing within 3 months	-	209 018	-	60 804
Maturing within 3 - 12 months	-	627 039	-	182 409
Maturing 1- 5 years	-	-	-	-
Maturing over 5 years	-	-	-	-
Gross carrying amount	-	836 057	-	243 213
Less credit impairment	-	(57 222)	-	(16 646)
Specific impairment allowance	-	(57 222)	-	(16 646)
Portfolio impairment allowance	-	-	-	-
Net carrying amount	**-**	**778 835**	**-**	**226 567**
Current (no more than 12 months after reporting date)	-	778 835	-	226 567
Non-current (more than 12 months after reporting date)	-	-	-	-
	-	**778 835**	**-**	**226 567**
Total net carrying amount	**1 526 655 858**	**617 194 904**	**1 526 655 858**	**179 544 277**
Current (no more than 12 months after reporting date)	1 524 392 788	611 835 121	1 524 392 787	177 985 096
Non-current (more than 12 months after reporting date)	2 263 070	5 359 783	2 263 071	1 559 181
	1 526 655 858	**617 194 904**	**1 526 655 858**	**179 544 277**

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 SME loans as at 31 December 2022 stood at ZWL2 710 450 026(December 2021: ZWL83 400 198). Collateral comprises cession of book debts and mortgage bonds for SME loans (note 29.1). Included in loans and advances are staff loans of ZWL2 985 327 (December 2021: ZWL29 030 635). 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

INFLATION ADJUSTED	2022 ZWL	2022 %	2021 ZWL	2021 %
Consumer loans	588 219 036	39%	490 853 832	72%
Small and Medium Enterprises (“SME”)	938 436 822	61%	190 425 026	28%
Mortgage loans	-	-	836 057	-
	1 526 655 858	**100%**	**682 114 915**	**100%**

HISTORICAL COST	2022 ZWL	2022 %	2021 ZWL	2021 %
Consumer loans	588 219 036	39%	128 447 962	72%
Small and Medium Enterprises ("SME")	938 436 822	61%	50 869 748	28%
Mortgage loans	-	-	226 567	-
	1 526 655 858	**100%**	**179 544 277**	**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.

	Single highest customer loan Dec-22	Single highest customer loan Dec-21	Top 10 highest loans Dec-22	Top 10 highest loans Dec-21
Customer concentration	%	%	%	%
Consumer	0.04	-	0.45	0.04
SME	17.6	26.50	81.6	82.80
Mortgage loans	-	66.20	-	88.30

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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
For the year ended 31 December 2022

5 LOANS AND ADVANCES TO CUSTOMERS (continued)

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

	INFLATION ADJUSTED					
All figures in ZWL	**Pass**	**Special mention**	**Sub-standard**	**Doubtful**	**Loss**	**Total**
As at 31 December 2022						
Consumer	587 619 339	1 936 061	242 667	1 813 582	19 778 635	**611 390 284**
SME	908 703 894	33 152 168	3 308 645	-	9 869 498	**955 034 205**
	1 496 323 233	**35 088 229**	**3 551 312**	**1 813 582**	**29 648 133**	**1 566 424 489**
As at 31 December 2021						
Consumer	423 312 723	8 284 934	11 145 517	9 921 686	38 188 972	**490 853 832**
SME	117 611 701	19 954 803	5 557 430	38 942 335	8 358 757	**190 425 026**
Mortgage	836 057	-	-	-	-	**836 057**
	541 760 481	**28 239 737**	**16 702 947**	**48 864 021**	**46 547 729**	**682 114 915**

	Mortgage	**SME**	**Consumer**	**Total**
As at 31 December 2022				
Performing loans	-	908 703 894	587 619 339	**1 496 323 233**
Non performing loans	-	46 330 311	23 770 945	**70 101 256**
	-	**955 034 205**	**611 390 284**	**1 566 424 489**
As at 31 December 2021				
Performing loans	836 057	117 611 701	423 312 723	**541 760 481**
Non performing loans	-	72 813 325	67 541 109	**140 354 434**
	836 057	**190 425 026**	**490 853 832**	**682 114 915**

	HISTORICAL COST					
All figures in ZWL	**Pass**	**Special mention**	**Sub-standard**	**Doubtful**	**Loss**	**Total**
As at 31 December 2022						
Consumer	587 619 339	1 936 061	242 667	1 813 582	19 778 635	**611 390 284**
SME	908 703 894	33 152 168	3 308 645	-	9 869 498	**955 034 205**
	1 496 323 233	**35 088 229**	**3 551 312**	**1 813 582**	**29 648 133**	**1 566 424 489**
As at 31 December 2021						
Consumer	123 143 234	2 410 118	3 242 272	2 886 255	11 109 313	**142 791 192**
SME	34 213 678	5 804 926	1 616 677	11 328 469	2 431 594	**55 395 344**
Mortgage	243 212	-	-	-	-	**243 212**
	157 600 124	**8 215 044**	**4 858 949**	**14 214 724**	**13 540 907**	**198 429 748**

All figures in ZWL	**Mortgage**	**SME**	**Consumer**	**Total**
As at 31 December 2022				
Performing loans	-	908 703 894	587 619 339	**1 496 323 233**
Non performing loans	-	46 330 311	23 770 945	**70 101 256**
	-	**955 034 205**	**611 390 284**	**1 566 424 489**
As at 31 December 2021				
Performing loans	243 212	34 213 678	123 143 234	**157 600 124**
Non performing loans	-	21 181 666	19 647 958	**40 829 624**
	243 212	**55 395 344**	**142 791 192**	**198 429 748**

5.5 Exposure to credit risk

	INFLATION ADJUSTED		HISTORICAL COST	
All figures in ZWL	**2022**	**2021**	**2022**	**2021**
Consumer loans at amortised cost				
Individually impaired				
Grade 8 - 10	21 834 884	59 256 175	21 834 884	17 237 840
Grade 4 - 7	1 936 061	8 284 934	1 936 061	2 410 118
Grade 1- 3	587 619 339	423 312 723	587 619 339	123 143 234
Gross carrying amount	611 390 284	490 853 832	611 390 284	142 791 192
Less credit impairment allowance (note 5.6)	(23 171 248)	(49 305 768)	(23 171 248)	(14 343 230)
Carrying amount (note 5.1)	**588 219 036**	**441 548 064**	**588 219 036**	**128 447 962**
SME loans				
Past due and impaired				
Grade 8 - 10	13 178 143	52 858 521	13 178 143	15 376 739
Grade 4 - 7	33 152 168	19 954 803	33 152 168	5 804 926
Grade 1- 3	908 703 894	117 611 702	908 703 894	34 213 678
Gross carrying amount	955 034 205	190 425 026	955 034 205	55 395 343
Less credit impairment allowance (note 5.6)	(16 597 383)	(15 557 021)	(16 597 383)	(4 525 595)
Carrying amount	**938 436 822**	**174 868 005**	**938 436 822**	**50 869 748**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
For the year ended 31 December 2022

5 LOANS AND ADVANCES TO CUSTOMERS (continued)

5.5 Exposure to credit risk (continued)

	INFLATION ADJUSTED		HISTORICAL COST	
All figures in ZWL	**2022**	**2021**	**2022**	**2021**
Mortgage loans				
Past due and impaired				
Grade 8 - 10	-	-	-	-
Grade 4 - 7	-	-	-	-
Grade 1- 3	-	836 057	-	243 213
Gross carrying amount	-	836 057	-	243 213
Less credit impairment allowance (note 5.6)	-	(57 222)	-	(16 646)
Carrying amount	**-**	**778 835**	**-**	**226 567**
Gross carrying amount SME, Mortgages and Consumer Loans	1 566 424 489	682 114 915	1 566 424 489	198 429 748
Measured at 12 month Expected Credit losses	1 196 748 310	521 122 286	1 196 748 310	151 600 327
Measured at lifetime Expected Credit losses	369 676 179	160 992 629	369 676 179	46 829 421
Less credit impairment allowance (note 5.6)	(39 768 631)	(64 920 011)	(39 768 631)	(18 885 471)
Net carrying amount	**1 526 655 858**	**617 194 904**	**1 526 655 858**	**179 544 277**
Impairment as a percentage of gross loans and advances	-2.5%	-9.5%	-2.5%	-9.5%

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.

Consumer loans

	HISTORICAL COST			
As at 31 December 2021	**Stage 1 12-month ECL**	**Stage 2 Lifetime ECL**	**Stage 3 Lifetime ECL**	**Total**
Outstanding balance as at 01 January 2021	45 058 821	5 673 717	1 227 700	**51 960 238**
Financial assets derecognised during the period other than write offs	(41 738 028)	(6 369 787)	(329 789)	**(48 437 604)**
Transfers:			-	
Transfers from stage 1 to stage 2	(839 629)	839 629	-	**-**
Transfers from stage 2 to stage 1	30 608	(30 608)	-	**-**
Transfers from stage 1 to stage 3	(1 154 809)	-	1 154 809	**-**
Transfers from stage 3 to stage 1	(53)	-	53	**-**
Transfers from stage 2 to stage 3	-	(371 243)	371 243	**-**
New financial assets originated	100 063 087	25 653 473	14 394 755	**140 111 315**
Write offs	(712)	(210 793)	(631 252)	**(842 757)**
Outstanding balance as at 31 December 2021	**101 419 285**	**25 184 388**	**16 187 519**	**142 791 192**

	HISTORICAL COST			
As at 31 December 2022	**Stage 1 12-month ECL**	**Stage 2 Lifetime ECL**	**Stage 3 Lifetime ECL**	**Total**
Outstanding balance as at 01 January 2022	101 419 285	25 184 388	16 187 519	**142 791 192**
Financial assets derecognised during the period other than write offs	(80 551 046)	(19 797 868)	(6077 251)	**(106 426 165)**
Transfers:				
Transfers from stage 1 to stage 2	(282 720)	282 720	-	**-**
Transfers from stage 2 to stage 1	80 371	(80 371)	-	**-**
Transfers from stage 1 to stage 3	(4 211 406)	-	4 211 406	**-**
Transfers from stage 2 to stage 3	-	(4 496 851)	4 496 851	**-**
New financial assets originated	306 903 475	12 848 200	18 276 593	**338 028 268**
Foreign currency movements	241 034 344	3 780 074	212 117	**245 026 535**
Write offs	(10 025)	(1 633 995)	(6 385 526)	**(8 029 546)**
Outstanding balance as at 31 December 2022	**564 382 278**	**16 086 297**	**30 921 709**	**611 390 284**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
For the year ended 31 December 2022

5 LOANS AND ADVANCES TO CUSTOMERS (continued)

5.5 Exposure to credit risk (continued)

SME loans

As at 31 December 2021	HISTORICAL COST Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
Outstanding balance as at 1 January 2021	35 586 357	(3 056 772)	1 210 123	**33 739 708**
Financial assets derecognised during the period other than write offs	(23 406 265)	(3 521 122)	(2 000 067)	**(28 927 454)**
Transfers:				
Transfers from stage 1 to stage 2	(717 844)	717 844	-	**-**
Transfers from stage 2 to stage 1	138 620	(138 620)	-	**-**
Transfers from stage 1 to stage 3	(355 358)	-	355 358	**-**
Transfers from stage 2 to stage 3	-	(510 479)	510 479	**-**
New financial assets originated	25 002 180	12 757 316	12 823 593	**50 583 089**
Outstanding balance as at 31 December 2021	**36 247 690**	**6 248 167**	**12 899 486**	**55 395 343**

As at 31 December 2022	HISTORICAL COST Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
Outstanding balance as at 01 January 2022	36 247 690	6 248 167	12 899 486	**55 395 343**
Financial assets derecognised during the period other than write offs	(18 849 037)	(4 820 824)	(12 592 841)	**(36 262 702)**
Transfers:				
Transfers from stage 1 to stage 2	(8 623 217)	8 623 217	-	**-**
Transfers from stage 2 to stage 1	33 724	(33 724)	-	**-**
Transfers from stage 1 to stage 3	(1 800 390)	-	1 800 390	**-**
Transfers from stage 2 to stage 3	-	(801 939)	801 939	**-**
New financial assets originated	623 343 379	2 819 655	6 624 913	**632 787 947**
Foreign Currency Movements	299 629 210	2 230 930	1 253 477	**303 113 617**
Outstanding balance as at 31 December 2022	**929 981 359**	**14 265 482**	**10 787 364**	**955 034 205**

Mortgage loans

As at 31 December 2021	HISTORICAL COST Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
Outstanding balance as at 01 January 2021	1 201 393	(1 066 497)	396 739	**531 635**
Financial assets derecognised during the period other than write offs	(1 038 777)	1 093 674	343 320	**(288 423)**
Transfers:				
Transfers from stage 1 to stage 2	(2 666)	2 666	-	**-**
Transfers from stage 2 to stage 1	515	(515)	-	**-**
Transfers from stage 1 to stage 3	(1 320)	-	1 320	**-**
Transfers from stage 2 to stage 3	-	(1 896)	1 896	**-**
Outstanding balance as at 31 December 2021	**159 145**	**27 432**	**56 635**	**243 212**

As at 31 December 2022	HISTORICAL COST Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
Outstanding balance as at 01 January 2021	159 145	27 432	56 635	**243 212**
Financial assets derecognised during the period other than write offs	(159 145)	(27 432)	(56 635)	**(243 212)**
Outstanding balance as at 31 December 2022	**-**	**-**	**-**	**-**

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.

All figures in ZWL	INFLATION ADJUSTED 2022	2021	HISTORICAL COST 2022	2021
Consumer loans				
Balances as at 1 January	49 305 768	21 526 393	14 343 230	2 356 196
Increase in expected credit loss	18 973 704	50 147 817	18 973 704	14 588 185
Loans written off	(10 145 686)	(8 941 623)	(10 145 686)	(2 601 151)
Effects of inflation	(34 962 538)	(13 426 819)	-	-
Balances as at 31 December	**23 171 248**	**49 305 768**	**23 171 248**	**14 343 230**
SME loans				
Balances as at 1 January	15 557 021	8 507 232	4 525 595	1 539 631
Increase in expected credit loss	12 071 788	15 000 741	12 071 788	4 363 771
Loans written off	-	(4 736 299)	-	(1 377 807)
Effects of inflation	(11 031 426)	(3 214 653)	-	-
Balances as at 31 December	**16 597 383**	**15 557 021**	**16 597 383**	**4 525 595**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
For the year ended 31 December 2022

5 LOANS AND ADVANCES TO CUSTOMERS (continued)

5.6 Impairment loss on loans and advances

All figures in ZWL	INFLATION ADJUSTED 2022	2021	HISTORICAL COST 2022	2021
Mortgage loans				
Balances as at 1 January	57 222	134 049	16 646	24 260
Decrease in expected credit loss	(16 646)	(26 174)	(16 646)	(7 614)
Effects of inflation	(40 576)	(50 653)	-	-
Balances as at 31 December	**-**	**57 222**	**-**	**16 646**
Total loans				
Balances as at 1 January 2022	64 920 011	30 167 674	18 885 471	3 920 087
Increase in expected credit loss	48 033 923	77 579 160	31 028 845	18 944 342
Loans written off	(10 145 686)	(13 677 922)	(10 145 685)	(3 978 958)
Effects of inflation	(63 039 617)	(29 148 901)	-	-
Total Balances as at 31 December 2022	39 768 631	64 920 011	39 768 631	18 885 471

Consumer loans All figures in ZWL	HISTORICAL COST Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
As at 31 December 2021				
Loss allowance as at 1 January 2021	1 151 556	673 912	530 728	**2 356 196**
Financial assets derecognised during the period other than write offs	1 130 065	(919 180)	(511 153)	**(300 269)**
Transfers:				
Transfers from stage 1 to stage 2	(16 388)	16 388	-	**-**
Transfers from stage 2 to stage 1	8 059	(8 059)	-	**-**
Transfers from stage 1 to stage 3	(999 490)	-	999 490	**-**
Transfers from stage 2 to stage 3	-	(239 109)	239 109	**-**
Changes in PDs/LGDs/EADs	(19 415)	(9 166)	(72 458)	**(101 038)**
New financial assets originated	314 292	4 018 685	8 645 722	**12 978 699**
Write offs	-	(60 288)	(530 070)	**(590 358)**
Loss allowance as at 31 December 2021	**1 568 679**	**3 473 183**	**9 301 368**	**14 343 230**
As at 31 December 2022				
Loss allowance as at 1 January 2022	1 568 679	3 473 183	9 301 368	**14 343 230**
Financial assets derecognised during the period other than write offs	(3 441 808)	(2 878 222)	(4 667 572)	**(10 987 602)**
Transfers:				
Transfers from stage 1 to stage 2	(13 342)	13 342	-	**-**
Transfers from stage 2 to stage 1	8 770	(8 770)	-	**-**
Transfers from stage 1 to stage 3	(4 091 088)	-	4 091 088	**-**
Transfers from stage 2 to stage 3	-	(3 815 931)	3 815 931	**-**
Changes in PDs/LGDs/EADs	(1 890)	(935)	(203 050)	**(205 875)**
New financial assets originated	1 502 347	2 401 415	11 554 691	**15 458 453**
Foreign currency movement	4 921 568	2 812 471	1 125 976	**8 860 015**
Write offs	(176)	(376 144)	(3 920 653)	**(4 296 973)**
Loss allowance as at 31 December 2022	**453 060**	**1 620 409**	**21 097 779**	**23 171 248**
SME loans				
As at 31 December 2021				
Loss allowance as at 1 January 2021	41 525	156 194	1 341 912	**1 539 631**
Financial assets derecognised during the period other than write offs	163 015	(114 567)	(1 322 412)	**(1 273 964)**
Transfers:				
Transfers from stage 1 to stage 2	(11 638)	11 638	-	**-**
Transfers from stage 2 to stage 1	6 836	(6 836)	-	**-**
Transfers from stage 1 to stage 3	(108 458)	-	108 458	**-**
Transfers from stage 2 to stage 3	-	(23 932)	23 932	**-**
Changes in PDs/LGDs/EADs	(182)	(8 265)	(38 011)	**(46 458)**
New financial assets originated	519 290	404 042	3 383 054	**4 306 386**
Loss allowance as at 31 December 2021	**610 388**	**418 274**	**3 496 933**	**4 525 595**
As at 31 December 2022				
Loss allowance as at 1 January 2022	610 388	418 274	3 496 933	**4 525 595**
Financial assets derecognised during the period other than write offs	(90 895)	(374 751)	(3 564 652)	**(4 030 298)**
Transfers:				
Transfers from stage 1 to stage 2	(3 671 708)	3 671 708	-	**-**
Transfers from stage 2 to stage 1	977	(977)	-	**-**
Transfers from stage 1 to stage 3	(20 747)	-	20 747	**-**
Transfers from stage 2 to stage 3	-	(45 907)	45 907	**-**
Changes in PDs/LGDs/EADs	(35 688)	-	(2 982)	**(38 670)**
New financial assets originated	12 984 897	34 304	3 121 555	**16 140 756**
Loss allowance as at 31 December 2022	**9 777 224**	**3 702 651**	**3 117 508**	**16 597 383**

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5 LOANS AND ADVANCES TO CUSTOMERS (continued)

5.6 Impairment loss on loans and advances (continued)

Mortgage loans	HISTORICAL COST			
All figures in ZWL	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
As at 31 December 2021				
Loss allowance as at 1 January 2021	(225 538)	23 885	225 913	**24 260**
Financial assets derecognised during the period other than write offs	234 854	(20 187)	(225 340)	**(10 673)**
Transfers:				
Transfers from stage 1 to stage 2	(43)	43	-	-
Transfers from stage 2 to stage 1	25	(25)	-	-
Transfers from stage 1 to stage 3	(403)	-	403	-
Transfers from stage 2 to stage 3	-	(308)	308	-
Changes in PDs/LGDs/EADs	(1)	142	(141)	-
New financial assets originated	1 700	1 501	(141)	**3 059**
Loss allowance as at 31 December 2021	**10 595**	**5 050**	**1 001**	**16 646**
As at 31 December 2022				
Loss allowance as at 1 January 2022	10 595	5 050	1 001	**16 646**
Financial assets derecognised during the period other than write offs	(10 595)	(5 050)	(1 001)	**(16 646)**
Loss allowance as at 31 December 2022	-	-	-	-

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	
All figures in ZWL	2022	2021
Effect of increase in emergence period by 1 month		
Increase in provision (consumer)	-	88 560
Effect of increase in loss ratio by % of portfolio		
Increase in provision by 5% (consumer)	1 118 639	822 751
Increase in provision by 5% (SME)	(2 750)	(2 750)

6 OTHER ASSETS

	INFLATION ADJUSTED		HISTORICAL COST	
All figures in ZWL	2022	2021	2022	2021
Prepayments	92 541 852	124 224 779	38 547 431	27 614 390
Consumables	560 644	4 421 961	130 852	153 072
Deposits	300 750	803 156	300 750	233 641
Other receivables	51 097 124	-	51 097 124	-
Sundry receivables	-	34 891 386	-	10 150 033
Total	**144 500 370**	**164 341 282**	**90 076 157**	**38 151 136**

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 / (PAYABLE)

	INFLATION ADJUSTED		HISTORICAL COST	
All figures in ZWL	2022	2021	2022	2021
Opening balance	26 629 084	26 436 842	1 122 554	1 066 589
Tax charge for the year	-	-	-	-
VAT Receivable	-	739 657	-	215 169
WHT Payable	(3 547 894)	(547 415)	(3 547 894)	(159 204)
Closing balance	**23 081 190**	**26 629 084**	**(2 425 340)**	**1 122 554**

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.

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8 DEFERRED TAX

	INFLATION ADJUSTED		HISTORICAL COST	
All figures in ZWL	2022	2021	2022	2021
Deferred tax liability				
Accelerated capital allowance for tax purposes	(261 328 986)	(201 373 309)	(216 356 240)	(34 014 274)
Investment property revaluation	(163 134 248)	(34 785 076)	(128 663 218)	(12 507 218)
Total deferred tax liability	**(424 463 234)**	**(236 158 385)**	**(345 019 458)**	**(46 521 492)**
Deferred tax asset				
EIR adjustment on loan book	(40 310 163)	22 220 093	(40 310 163)	6 463 908
Accrued expenses	8 368 573	8 609 987	19 765 418	2 131 735
Assessed tax loss	133 642 261	36 527 343	89 910 643	6 887 336
Expected credit loss on loans and advances	14 049 092	(77 713 012)	9 830 807	4 668 490
Total deferred tax asset	**115 749 763**	**(10 355 589)**	**79 196 706**	**20 151 469**
Net deferred tax (liability) / asset	**(308 713 471)**	**(246 513 974)**	**(265 822 753)**	**(26 370 023)**
Reconciliation of deferred tax asset/ (liability)				
At beginning of year	(246 513 974)	(109 974 926)	(26 370 023)	(27 866 579)
Temporary differences recognised in the statement of profit or loss	(166 825 356)	62 119 622	(30 948 678)	54 236 606
Temporary differences recognised in other comprehensive income	24 103 366	(180 536 391)	(208 504 052)	(52 740 050)
Effects of inflation	80 522 493	(18 122 279)	-	-
At end of year	**(308 713 471)**	**(246 513 974)**	**(265 822 753)**	**(26 370 023)**

9 INVESTMENT PROPERTIES

	INFLATION ADJUSTED		HISTORICAL COST	
All figures in ZWL	2022	2021	2022	2021
Opening balance	475 896 332	844 185 989	138 440 000	152 780 000
Fair value adjustment	292 171 607	352 742	547 471 240	70 190 350
Additions	43 237 235	87 917 555	29 088 760	20 159 650
Disposals	(294 305 174)	-	(198 000 000)	-
Transfer to property	-	(456 559 954)	-	(104 690 000)
Closing Balance	**517 000 000**	**475 896 332**	**517 000 000**	**138 440 000**

Valuation process

Investment properties were 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 2022 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.The valuer has used the available market evidence to support the Zimbabwean Dollar values.

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

All figures in ZWL	2022	Effect on profit before tax 2021	2022	Effect on profit before tax 2021
Valuation change				
5% increase in valuation	517 000 000	25 850 000	138 440 000	6 922 000
Net effect	-	**25 850 000**	-	**6 922 000**

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

	2022	2021
USD values of investment properties at the time of valuation	755 483	1 273 996
inter-bank foreign exchange market rate	684.330	108.666
ZWL property values as a result of direct conversion	517 000 000	138 440 000
Investment properties value at year end	517 000 000	138 440 000
Difference	-	-

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10 LEASES

All figures in ZWL	INFLATION ADJUSTED 2022	INFLATION ADJUSTED 2021	HISTORICAL COST 2022	HISTORICAL COST 2021
Right of use asset				
Buildings				
Opening carrying amount	**30 343 273**	**31 340 132**	**445 185**	**669 912**
Remeasurement of right of use asset	45 844 377	-	30 842 769	-
Amortisation charge	(23299 882)	(996 859)	(15 675 486)	(224 727)
Carrying amount	**52 887 768**	**30 343 273**	**15 612 468**	**445 185**
Cost	81 311 211	35 466 834	31 893 162	1 050 393
Accumulated amortisation	(28 423 443)	(5 123 561)	(16 280 694)	(605 208)
Carrying amount	**52 887 768**	**30 343 273**	**15 612 468**	**445 185**

The right of uses assets refer to the Mutare and the Bulawayo branch leases. The Mutare branch lease is a 5 year lease that commenced on 1 March 2019 and will expire on 29 February 2024. The Bulawayo branch lease is a 4 year lease that commenced on 1 November 2019 and will expire on 31 October 2023. The right of use asset was restated in line with adjusted lease payment terms in 2022.

11 EQUIPMENT

INFLATION ADJUSTED

All figures in ZWL	Land and Buildings	Furniture and fittings	Motor vehicles	Office equipment	IT equipment	Leasehold improvements	Total
Year ended 31 December 2021							
Opening carrying amount	**-**	**18 281 366**	**8 247 547**	**45 939 747**	**53 412 069**	**19 642 353**	**145 523 082**
Additions	107 263 183	888 978	-	11 101 296	17 136 317	1 195 478	**137 585 252**
Disposals	-	-	-	(2 168 728)	(294 768)	-	**(2 463 496)**
Revaluations	717 657 207	-	12 668 000	-	-	-	**730 325 207**
Reclassification	456 559 954	-	-	-	-	-	**456 559 954**
Depreciation on disposal	-	-	-	1 323 909	269 832	-	**1 593 741**
Depreciation charge	(19 751 509)	(520 729)	(2 041 164)	(2 700 688)	(5 354 686)	(1 617 363)	**(31 986 139)**
Carrying amount	**1 261 728 835**	**18 649 615**	**18 874 383**	**53 495 536**	**65 168 764**	**19 220 468**	**1 437 137 601**
Cost	1 261 728 835	52 669 465	52 518 693	72 589 938	161 990 577	78 951 154	**1 680 448 662**
Accumulated depreciation	-	(34 019 850)	(33 644 310)	(19 094 402)	(96 821 813)	(59 730 686)	**(243 311 061)**
Carrying amount	**1 261 728 835**	**18 649 615**	**18 874 383**	**53 495 536**	**65 168 764**	**19 220 468**	**1 437 137 601**
Year ended 31 December 2022							
Opening carrying amount	**1 261 728 835**	**18 649 615**	**18 874 383**	**53 495 536**	**65 168 764**	**19 220 468**	**1 437 137 601**
Additions	3 683 580	-	8 426 184	4 936 017	3 875 579	890 647	**21 812 007**
Disposals	-	-	(1 863 993)	(875 006)	(3 013 462)	-	**(5 752 461)**
Revaluations	(97 505 525)	-	-	-	-	-	**(97 505 525)**
Depreciation on disposal	-	-	201 141	143 695	2 138 388	-	**2 483 224**
Depreciation charge	(37 906 890)	(233 273)	(1 588 548)	(2 198 980)	(4 196 067)	(802 527)	**(46 926 285)**
Carrying amount	**1 130 000 000**	**18 416 342**	**24 049 167**	**55 501 262**	**63 973 202**	**19 308 588**	**1 311 248 561**
Cost	1 130 000 000	52 669 465	59 080 884	76 650 949	162 852 694	79 841 801	**1 561 095 793**
Accumulated depreciation	-	(34 253 123)	(35 031 717)	(21 149 687)	(98 879 492)	(60 533 213)	**(249 847 232)**
Carrying amount	**1 130 000 000**	**18 416 342**	**24 049 167**	**55 501 262**	**63 973 202**	**19 308 588**	**1 311 248 561**

HISTORICAL COST

All figures in ZWL	Land and Buildings	Furniture and fittings	Motor vehicles	Office equipment	IT equipment	Leasehold improvements	Total
Year ended 31 December 2021							
Opening net book amount	**-**	**487 616**	**275 089**	**962 508**	**1 225 042**	**724 664**	**3 674 919**
Additions	3 229 792	199 745	-	3 039 571	4 065 484	292 210	**10 826 802**
Disposals	-	-	-	(630 891)	(64 200)	-	**(695 091)**
Revaluations	206 541 684	-	2 823 541	2 146 716	-	-	**211 511 941**
Reclassification	104 690 000	-	-	-	-	-	**104 690 000**
Depreciation on disposal	-	-	-	239 600	48 831	-	**288 431**
Depreciation charge	(4 461 476)	(118 778)	(480 117)	(626 790)	(1 261 447)	(369 189)	**(7 317 797)**
Carrying amount	**310 000 000**	**568 583**	**2 618 513**	**5 130 714**	**4 013 710**	**647 685**	**322 979 205**
Cost	310 000 000	874 555	3 308 083	5 821 358	6332 000	1 499 367	**327 835 363**
Accumulated depreciation	-	(305 972)	(689 570)	(690 644)	(2 318 290)	(851 682)	**(4 856 158)**
Carrying amount	**310 000 000**	**568 583**	**2 618 513**	**5 130 714**	**4 013 710**	**647 685**	**322 979 205**
Year ended 31 December 2022							
Opening net book amount	**310 000 000**	**568 583**	**2 618 513**	**5 130 714**	**4 013 710**	**647 685**	**322 979 205**
Additions	2 478 206	-	5 077 381	3 785 373	4 912 849	861 600	**17 115 409**
Disposals	-	-	(590 801)	(525 742)	(94 522)	-	**(1 211 065)**
Revaluations	843 462 992	-	-	-	-	-	**843 462 992**
Depreciation on disposal	-	-	119 385	91 129	82 255	-	**292 769**
Depreciation charge	(25 941 198)	(128 447)	(1 036 464)	(1 341 059)	(2 530 705)	(511 607)	**(31 489 480)**
Carrying amount	**1 130 000 000**	**440 136**	**6 188 014**	**7 140 415**	**6 383 587**	**997 678**	**1 151 149 830**
Cost	1130 000 000	874 555	7 794 663	9 080 989	11 150 327	2 360 967	**1 161 261 501**
Accumulated depreciation	-	(434 419)	(1 606 649)	(1 940 574)	(4 766 740)	(1 363 289)	**(10 111 671)**
Carrying amount	**1 130 000 000**	**440 136**	**6 188 014**	**7 140 415**	**6 383 587**	**997 678**	**1 151 149 830**

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12 INTANGIBLE ASSETS

All figures in ZWL	INFLATION ADJUSTED 2022	INFLATION ADJUSTED 2021	HISTORICAL COST 2022	HISTORICAL COST 2021
Software				
Opening carrying amount	19 035 465	16 669 988	804 850	294 654
Additions	3 410 558	3 624 901	3 370 510	806 704
Amortisation charge	(2 132 621)	(1 259 424)	(438 495)	(296 508)
Carrying amount	**20 313 402**	**19 035 465**	**3 736 865**	**804 850**
Cost	63 477 040	61 434 511	4 791 419	1 420 909
Accumulated amortisation	(43 163 638)	(42 399 046)	(1 054 554)	(616 059)
Carrying amount	**20 313 402**	**19 035 465**	**3 736 865**	**804 850**

13 EQUITY

13.1 Share Capital

All figures in ZWL	INFLATION ADJUSTED 2022	INFLATION ADJUSTED 2021	HISTORICAL COST 2022	HISTORICAL COST 2021
Authorised				
20 000 000 000 ordinary shares with nominal value of ZWL0.0000001	436 324	436 324	2 000	2 000
Issued				
1 163 118 377 ordinary shares with nominal value of ZWL0.0000001	25 307	25 307	116	116
Basic and diluted (loss) / earnings	**(103 995 954)**	**659 550 383**	**880 277 561**	**265 949 531**
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 (loss) / earnings per share (cents)	**(8.94)**	**56.71**	**75.68**	**22.87**
Headline (loss) / earnings per share (cents)	**(24.53)**	**61.64**	**42.71**	**19.59**

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.

All figures in ZWL	INFLATION ADJUSTED 2022	INFLATION ADJUSTED 2021	HISTORICAL COST 2022	HISTORICAL COST 2021
Balance at December 2022	**1 483 650 138**	**1 483 650 138**	**8 562 235**	**8 562 235**

13.3 Other Reserves

Other reserves are made up the revaluation surplus that arose from a revaluation exercise that was carried during the year on some items on property and equipment.

14 DEPOSITS FROM CUSTOMERS

All figures in ZWL	INFLATION ADJUSTED 2022	INFLATION ADJUSTED 2021	HISTORICAL COST 2022	HISTORICAL COST 2021
Deposits from customers are primarily composed of amounts payable on demand.				
Individual				
Current accounts	111 095 084	18 169 433	111 095 084	5 285 555
Small and medium enterprises				
Current accounts	518 413 098	206 372 706	518 413 098	60 034 582
Term deposits	2 013 170	47 868 076	2 013 170	13 925 000
	520 426 268	254 240 782	520 426 268	73 959 582
Total	**631 521 352**	**272 410 215**	**631 521 352**	**79 245 137**
Current (not more than 12 months after reporting date)	631 521 352	272 410 215	631 521 352	79 245 137
Non-current (more than 12 months after reporting date)	-	-	-	-
Total	**631 521 352**	**272 410 215**	**631 521 352**	**79 245 137**

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 the exchange rate as a portion of deposits are denominated in foreign currency. The exchange rate moved by 530% between December 2021 and December 2022. 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.

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15 OTHER FINANCIAL LIABILITIES

		INFLATION ADJUSTED		HISTORICAL COST	
All figures in ZWL	**Notes**	**2022**	**2021**	**2022**	**2021**
Payroll liabilities		21 602 499	18 354 136	21 602 499	5 339 286
Leave pay provision		11 800 655	8 458 424	11 800 655	2 460 587
Accounting and audit fees provision		22 052 795	26 371 614	22 052 795	7 671 600
Lease liabilities	15.1	31 872 164	3 655 770	31 872 164	1 063 478
Remittances		62 104 136	267 960 435	62 104 136	77 950 680
Accruals and other liabilities		124 796 026	32 158 268	124 796 026	9 354 959
		274 228 275	**356 958 647**	**274 228 275**	**103 840 590**

Accruals and other liabilities include ZWL 62 104 136 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.

15.1 Lease liabilities
The Bank currently has 2 finance leases that have lease tenures exceeding 1 year with an option to renew.

The financial statements shows the following amounts relating to lease labilities;

		INFLATION ADJUSTED		HISTORICAL COST	
All figures in ZWL	**Notes**	**2022**	**2021**	**2022**	**2021**
Current		30 152 687	1 180 991	30 152 687	343 556
Non-current		1 719 477	2 474 779	1 719 477	719 922
		31 872 164	**3 655 770**	**31 872 164**	**1 063 478**

16 BORROWINGS

Held at amortised cost					
Everprosperous World Wide Limited promissory notes	16.1	1 330 863 636	802 128 497	1 330 863 636	233 342 141
Medium Term Bonds	16.2	-	8 297 775	-	2 413 853
NMB Bank Limited Facility	16.3	-	132 184 222	-	38 452 878
Reserve Bank of Zimbabwe Facility	16.4	73 355 709	33 531 787	73 355 709	9 754 521
		1 404 219 345	**976 142 281**	**1 404 219 345**	**283 963 393**
Non-current liabilities (more than 12 months after reporting date) At amortised cost		42 477 340	-	42 477 340	-
Current liabilities (no more than 12 months after reporting date) At amortised cost		1 361 742 005	976 142 281	1 361 742 005	283 963 393
		1 404 219 345	**976 142 281**	**1 404 219 345**	**283 963 393**

16.1 Everprosperous World Wide Limited
The fixed term promissory notes were issued from August 2022 for purposes of growing the company's loan book. The loans were issued at an interest rate of 60% p.a. and are repayable after six monhts from the date of the drawndown.
Security details of the loan are as follows:
- Cession of the Company's loan book

16.2 Medium Term Bonds
This liability consists of medium-term bonds that are not listed but through private placement. Most of the bonds came through in 2021 and expired within 12 months. Interest is charged at 60% per annum and paid monthly.

The notes were all paid during the financial year ended 31 December 2022.

16.3 NMB Bank Limited Facility
This loan is a facility to finance business expansion and was issued on 03 October 2018. The facility is repayable monthly over a three year period to 30 September 2021. The facility's expiry date was extended by a further 12 months to 30 September 2022.

- Irrevocable letter of undertaking confirming monthly instalments;

Covenant details of the loan are as follows:
- Portfolio at risk (PAR) < 10%;
- Non-Performing loans(NPL)< 10%
- Cost to Income Ratio< 60%
- Capital adequacy ratio > 15%
- No drawdowns are to repay shareholder loans
- Minimum monthly deposits of ZWL30 million upon full faciliity disbursement.

The loan was set-off through the disposal of some of the Microfinance Bank's investment property in September 2022. The disposed properties were located in Westgate, Norton and Waterfalls.

16.4 Reserve Bank of Zimbabwe Facility
The Reserve Bank of Zimbabwe has set up a ZWL 500million facility to finance the Micro, Small and Medium Entreprises which have been adversely affected by the Covid-19 pandemic. The Bank has accessed and drawn down ZWL50 million initially at 30% per annum on behalf of its clients. In July 2022, the Reserve Bank increased the interest rate on these facilities to 100% p.a.. Interest is accrued monthly in arrears and total interest shall be payable upon maturity together with the principal amount.

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16 BORROWINGS (continued)

16.4 Reserve Bank of Zimbabwe Facility (continued)

Security 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.

This loan is a facility specifically to finance the agricultural sector. Interest is charged at 100% p.a. and is payable on maturity of the loan.

Borrowings carrying amount approximates fair value.

	INFLATION ADJUSTED		HISTORICAL COST	
All figures in ZWL	**2022**	**2021**	**2022**	**2021**
Borrowings movement				
Balance at 1 January	976 142 281	553 132 949	283 963 393	100 105 490
New borrowings	2 775 241 303	27 509 271 050	1 867 101 995	6 307 924 212
Repayments	(1 590 361 374)	(27 093 978 696)	(1 069 949 085)	(6 212 696 945)
Interest capitalised/(paid)	480 257 058	386 524 014	323 103 043	88 630 636
Effects of inflation	(1 237 059 922)	(378 807 036)	-	-
Closing balance at 31 December	**1 404 219 346**	**976 142 281**	**1 404 219 346**	**283 963 393**

17 INTEREST INCOME

	INFLATION ADJUSTED		HISTORICAL COST	
All figures in ZWL	**2022**	**2021**	**2022**	**2021**
Interest on Consumer Loans	850 151 192	1 312 697 536	522 545 828	305 141 359
Interest income on SME Loans	242 288 187	317 403 490	204 593 061	70 415 605
	1 092 439 379	**1 630 101 026**	**727 138 889**	**375 556 964**

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	
All figures in ZWL	**2022**	**2021**	**2022**	**2021**
Interest on borrowings	650 142 497	654 271 421	453 176 959	153 016 548
Interest on leases	28 192 188	3 293 712	18 966 888	755 254
Interest on deposits	15 156 091	11 214 193	10 196 579	2 571 434
	693 490 776	**668 779 326**	**482 340 426**	**156 343 236**

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:

	INFLATION ADJUSTED			
All figures in ZWL	**Consumer**	**SME**	**Other**	**Total**
December 2022				
Fee and commission income	402 978 561	156 993	-	**403 135 554**
Timing of revenue recognition:				
- At a point in time	-	-	-	**-**
- Over time	402 978 561	156 993	-	**403 135 554**
	402 978 561	156 993	-	**403 135 554**
December 2021				
Fee and commission income	388 780 655	3 818 477	-	**392 599 132**
Timing of revenue recognition:				
- At a point in time	-	-	-	**-**
- Over time	388 780 655	3 818 477	-	**392 599 132**
	388 780 655	3 818 477	-	**392 599 132**

	INFLATION ADJUSTED		HISTORICAL COST	
All figures in ZWL	**2022**	**2021**	**2022**	**2021**
Administration fees	114 887 029	158 749 797	73 971 916	36 991 222
Banking fees and commissions	288 248 525	233 849 335	191 892 686	56 288 000
	403 135 554	**392 599 132**	**265 864 602**	**93 279 222**

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 2021: nil).

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

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Microfinance Bank

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20 OPERATING EXPENSES

All figures in ZWL	Note	INFLATION ADJUSTED 2022	INFLATION ADJUSTED 2021	HISTORICAL COST 2022	HISTORICAL COST 2021
Accommodation		1 328 526	6 223 757	811 969	1 477 600
Accounting and auditing fees		33 030 029	32 760 866	23 535 880	8 462 176
Advertising, marketing and sales expenses		98 610 235	97 652 704	61 515 570	23 146 053
Amortisation		2 132 621	1 259 424	438 495	296 508
Bank charges		34 088 873	24 031 214	23 641 897	5 673 311
Collection costs		50 712 537	68 637 785	33 109 931	16 264 592
Professional fees		12 922 849	13 012 145	8 142 434	3 396 297
Depreciation		70 226 167	32 982 998	47 164 966	7 542 524
Directors fees		20 041 287	12 261 983	13 638 368	2 803 764
Funding origination costs		15 715 367	30 272 662	6 828 693	7 313 440
Insurance expenses		8 553 642	9 466 838	5 384 701	2 165 052
License fees		34 005 087	47 818 757	21 128 018	11 050 098
Management fees		71 199 015	74 935 831	45 935 697	17 094 472
Consultancy		53 067 892	19 959 599	35 949 545	4 575 332
Other expenses		124 590 741	78 424 405	80 950 832	17 453 050
Postage and courier		3 141 763	1 708 954	1 637 516	413 652
Printing and stationery		27 037 920	17 966 840	18 404 785	4 303 924
Rentals		80 865 019	34 519 304	39 753 270	7 947 409
Repairs and maintenance		45 770 191	73 233 931	25 294 888	17 153 941
Sales acquisition costs		110 854	468 152	61 767	108 594
Security		67 911 802	42 104 749	49 165 862	9 740 428
Staff costs		647 111 189	526 389 837	396 248 995	124 349 804
Staff welfare and refreshments		41 548 321	51 620 610	20 061 590	12 268 722
Telephone and fax		72 225 517	58 501 275	53 897 459	13 477 007
Training		5 969 009	7 066 163	2 752 317	1 778 728
Travel		13 718 957	8 725 527	9 971 732	2 069 107
		1 635 635 410	**1 372 006 310**	**1 025 427 177**	**322 325 585**

21 TAXATION EXPENSE

All figures in ZWL	Note	INFLATION ADJUSTED 2022	INFLATION ADJUSTED 2021	HISTORICAL COST 2022	HISTORICAL COST 2021
Major components of the tax expense					
Current					
Local income tax - current period		-	-	-	-
Deferred					
Deferred tax	8	166 825 356	(62 119 621)	30 948 678	(54 236 606)
		166 825 356	**(62 119 621)**	**30 948 678**	**(54 236 606)**
Reconciliation between accounting profit and tax expense:					
Accounting profit before tax		136 231 560	47 641 946	276 267 299	52 785 554
Tax at the applicable tax rate of 24.72% (2021 : 24.72%)		33 676 442	11 777 089	68 293 276	13 048 589
Tax effect of adjustments on taxable income					
Tax effect of expenses that are not deductible in determining taxable profit : -					
Donations		-	97 757	-	23 894
Intermediary Money Transfer		(7 936 871)	(1 767 214)	(2 308 865)	(405 225)
Movement in provisions		241 414	1 218 159	3 124 923	(18 255 274)
Difference between effective and simple interest		40 310 163	(22 220 093)	40 310 163	(6 463 908)
Allowance for impairment losses		8 583 581	14 711 711	5 162 317	3 699 443
Net effect of disallowable expenses		91 950 627	(65 937 030)	(83 633 136)	(45 884 124)
		166 825 356	**(62 119 621)**	**30 948 678**	**(54 236 605)**

22 AUDITORS' REMUNERATION

All figures in ZWL	Note	INFLATION ADJUSTED 2022	INFLATION ADJUSTED 2021	HISTORICAL COST 2022	HISTORICAL COST 2021
Fees		33 030 029	32 760 866	23 535 880	8 462 176
		33 030 029	**32 760 866**	**23 535 880**	**8 462 176**

23 CASH GENERATED FROM/ (USED IN) OPERATIONS

All figures in ZWL	Note	INFLATION ADJUSTED 2022	INFLATION ADJUSTED 2021	HISTORICAL COST 2022	HISTORICAL COST 2021
Profit before income tax		136 231 561	47 641 946	276 267 299	52 785 554
Adjustments for:					
Depreciation and amortisation		72 358 788	34 242 422	47 603 461	7 839 032
Fair value adjustments		(292 171 607)	(352 742)	(547 471 240)	(70 190 350)
Profit on disposal of non current assets		(51 542 116)	(1 950 838)	(34 676 043)	(492 166)
Unrealised foreign exchange loss/(gain)		(295 154 786)	(7 623 409)	(202 420 663)	(6 631 582)
Net impairment		34 723 230	59 513 411	20 883 159	14 965 385
Interest received		(1 092 439 379)	(1 630 101 026)	(727 138 889)	(375 556 964)
Interest expense		693 490 776	668 779 326	482 340 426	156 343 236
Changes in working capital:					-
(Increase)/decrease in loans and advances to customers		(909 460 954)	393 809 653	(1 347 111 581)	(101 402 585)
Increase / (decrease) in other assets		19 840 912	(86 196 593)	(51 925 021)	(28 445 496)
Decrease / (increase) in deposits from customers		359 111 137	(372 643 074)	552 276 215	(37 496 011)
(Decrease)/increase in other financial liabilities		(82 730 372)	214 229 588	(183 558 127)	(10 621 020)
		(1 407 742 810)	**(680 651 336)**	**(1 714 931 004)**	**(398 902 967)**

This section sets out an analysis of net debt and the movements in net debt for each of the periods presented.

All figures in ZWL	Note	INFLATION ADJUSTED 2022	INFLATION ADJUSTED 2021	HISTORICAL COST 2022	HISTORICAL COST 2021
Cash and cash equivalents		549 415 056	711 862 892	549 415 056	207 083 544
Borrowings - repayable within one year		(1 361 742 005)	(976 142 281)	(1 361 742 005)	(283 963 393)
Borrowings - repayable after one year		(42 477 340)	-	(42 477 340)	-
Net debt		**(854 804 289)**	**(264 279 389)**	**(854 804 289)**	**(76 879 849)**

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

All figures in ZWL	Borrowings	Total
Net debt as at 1 January 2022	(46 964 770)	**(46 964 770)**
Cashflows (based on total amounts per Statement of Cash flows)	(236 998 623)	**(236 998 623)**
Net debt as at 31 December 2022	(283 963 393)	**(283 963 393)**
Cashflows (based on total amounts per Statement of Cash flows)	(1 120 255 952)	**(1 120 255 952)**
Net debt as at 31 December 2022	**(1 404 219 345)**	**(1 404 219 345)**

24 AMOUNTS DUE FROM/(TO) RELATED PARTY LOANS

All figures in ZWL	INFLATION ADJUSTED 2022	INFLATION ADJUSTED 2021	HISTORICAL COST 2022	HISTORICAL COST 2021
Staff loans				
Opening balance	33 930 673	12 392 930	9 870 558	2 242 861
Disbursements/(repayments)	(13 279 391)	9 348 083	(8 933 990)	2 143 532
Interest charge	3 045 254	23 916 802	2 048 759	5 484 165
Net monetary adjustment	(20 711 209)	(11 727 142)	-	-
Amount due from staff	**2 985 327**	**33 930 673**	**2 985 327**	**9 870 558**

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.

25 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.

All figures in ZWL	INFLATION ADJUSTED Consumer	SME	Bureau	Other	Total
31 December 2022					
Third party income	779 016 248	242 422 026	123 959 839	350 176 820	**1 495 574 933**
Impairment losses on loans and advances	(27 281 128)	(8 489 611)	-	(12 263 184)	**(48 033 923)**
Net operating income	**751 735 120**	**233 932 415**	**123 959 839**	**337 913 636**	**1 447 541 010**
Interest income	850 151 192	242 288 187	-	-	**1 092 439 379**
Interest expense	(360 573 535)	(113 166 220)	(57 375 743)	(162 375 278)	**(693 490 776)**
Net interest income	**489 577 657**	**129 121 967**	**(57 375 743)**	**(162 375 278)**	**398 948 603**
Fee and commission Income	402 978 561	156 993	-	-	**403 135 554**
Total net income	**892 556 218**	**129 278 960**	**(57 375 743)**	**(162 375 278)**	**802 084 157**
Depreciation and amortisation	(25 308 740)	(7 875 824)	(4 027 215)	(11 376 572)	**(48 588 351)**
Other income / (expenses)	(988 825 360)	(159 236 948)	42 057 056	119 101 184	**(986 904 068)**
Segment profit before tax	70 960 402	22 082 164	11 291 472	31 897 522	**136 231 560**
Income tax expense	(86 896 122)	(27 041 200)	(13 827 221)	(39 060 813)	**(166 825 356)**
Loss for the year	**(15 935 720)**	**(4 959 036)**	**(2 535 749)**	**(7 163 291)**	**(30 593 796)**
31 December 2021					
Third party income	1 355 086 311	321 254 403	108 180 989	238 178 455	**2 022 700 158**
Impairment losses on loans and advances	(54 910 111)	(13 017 707)	-	(9 651 349)	**(77 579 167)**
Net operating income	**1 300 176 200**	**308 236 696**	**108 180 989**	**228 527 106**	**1 945 120 991**
Interest income	1 312 697 537	317 479 302	-	(75 813)	**1 630 101 026**
Interest expense	(448 041 543)	(106 218 563)	(35 768 628)	(78 750 592)	**(668 779 326)**
Net interest income	864 655 994	211 260 739	(35 768 628)	(78 826 405)	**961 321 700**
Fee and commission Income	388 780 655	3 818 477	-	-	**392 599 132**
Total net income	**1 253 436 649**	**215 079 216**	**(35 768 628)**	**(78 826 405)**	**1 353 920 832**
Depreciation and amortisation	(23 118 765)	(5 438 539)	(1 831 403)	(4 032 139)	**(34 420 846)**
Other income / (expenses)	(1 301 886 780)	(226 565 440)	31 900 695	70 310 503	**(1 426 241 022)**
Segment profit before tax	28 935 438	8 390 982	4 017 810	6 297 716	**47 641 946**
Income tax expense	41 616 371	9 866 121	3 322 371	7 314 758	**62 119 621**
Profit for the year	**70 551 809**	**18 257 103**	**7 340 181**	**13 612 474**	**109 761 567**

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25 OPERATING SEGMENTS (continued)

All figures in ZWL	HISTORICAL COST Consumer	SME	Bureau	Other	Total
31 December 2022					
Third party income	393 190 768	204 580 296	82 568 772	312 663 655	**993 003 491**
Impairment losses on loans and advances	(13 400 472)	(6 972 373)	-	(10 656 000)	**(31 028 845)**
Net operating income	**379 790 296**	**197 607 923**	**82 568 772**	**302 007 655**	**961 974 646**
Interest income	522 545 828	204 593 061	-	-	**727 138 889**
Interest expense	(208 309 061)	(108 384 868)	-	(165 646 496)	**(482 340 425)**
Net interest income	**314 236 767**	**96 208 193**	**-**	**(165 646 496)**	**244 798 464**
Fee and commission Income	265 864 602	-	-	-	**265 864 602**
Total net income	**580 101 369**	**96 208 193**	**-**	**(165 646 496)**	**510 663 066**
Depreciation and amortisation	(18 849 119)	(9 807 347)	(3 958 253)	(14 988 741)	**(47 603 461)**
Other income / (expenses)	(451 861 143)	(29 483 779)	26 930 027	267 622 588	**(186 792 307)**
Segment profit before tax	109 391 107	56 917 067	22 971 774	86 987 351	**276 267 299**
Income tax expense	(12 254 473)	(6 376 100)	(2 573 399)	(9 744 706)	**(30 948 678)**
Profit for the year	**97 136 634**	**50 540 967**	**20 398 375**	**77 242 645**	**245 318 621**
31 December 2021					
Third party income	289 965 102	70 403 874	25 945 997	82 521 213	**468 836 186**
Impairment losses on loans and advances	(12 403 071)	(3 011 480)	-	(3 529 792)	**(18 944 343)**
Net operating income	**277 562 031**	**67 392 394**	**25 945 997**	**78 991 421**	**449 891 843**
Interest income	305 141 359	70 415 605	-	-	**375 556 964**
Interest expense	(102 359 644)	(24 853 044)	-	(29 130 548)	**(156 343 236)**
Net interest income	**202 781 715**	**45 562 561**	**-**	**(29 130 548)**	**219 213 728**
Fee and commission Income	93 279 222	-	-	-	**93 279 222**
Total net income	**296 060 937**	**45 562 561**	**-**	**(29 130 548)**	**312 492 950**
Depreciation and amortisation	(4 848 273)	(1 177 166)	(433 822)	(1 379 771)	(7 839 032)
Other income / (expenses)	(258 565 933)	(36 458 730)	3 355 042	39 801 258	(251 868 363)
Segment profit before tax	32 646 731	7 926 665	2921 220	9 290 938	52 785 554
Income tax expense	33 544 174	8 144 565	3 001 523	9 546 343	54 236 605
Profit for the Year	**66 190 905**	**16 071 230**	**5 922 743**	**18 837 281**	**107 022 159**

26 RELATED PARTIES

26.1 Relationships

Holding Company	MyBucks S.A (Luxembourg)
Intermediate holding Company	GetBucks Limited (Mauritius)
Shareholder	Ecsponent Limited (South Africa)
Fellow subsidiaries	GetBucks (Proprietary) Limited (Botswana)
	CashCorp (Proprietary) Limited
	TU Loans (Proprietary) Limited
	GetSure Botswana (Proprietary) Limited (Botswana)
	MBCH Limited
	SureChoice Global Ventures
	MHMK Private Limited Zimbabwe

26.2 Related party balances

All figures in ZWL	INFLATION ADJUSTED 2022	2021	HISTORICAL COST 2022	2021
Related party receivables				
MBCH Limited	-	25 418 734	-	7 394 404
SureChoice Global Ventures	-	1 710 842	-	497 690
MHMK Private Limited	-	3 717 876	-	1 081 544
	-	**30 847 452**	**-**	**8 973 638**
Related party payables				
MBCH	-	14 829 788	-	4 314 040
GetBucks Botswana	-	2 406 557	-	700 076
	-	**17 236 345**	**-**	**5 014 116**
Related party deposits				
MHMK Private Limited Zimbabwe	2 133 364	543 270	2 133 364	158 039
GetBucks Limited (Mauritius)	-	44 917	-	13 066
	2 133 364	**588 187**	**2 133 364**	**171 105**
Related party equity balances				
P. Soko	25 723	142 132	25 723	25 723

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.

26.3 Related party transactions

All figures in ZWL	INFLATION ADJUSTED 2022	2021	HISTORICAL COST 2022	2021
Management fees paid to related parties				
GetBucks Limited (Mauritius)	71 199 015	74 935 831	45 935 697	17 094 472

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

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26 RELATED PARTIES (continued)

26.4 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, Head of Information Technology, Head of Finance, Head of Human Resources and Head of International Banking.

All figures in ZWL	INFLATION ADJUSTED 2022	2021	HISTORICAL COST 2022	2021
Short term employment benefits	226 758 486	121 769 668	152 556 544	35 423 246
Post employment benefits	17 114 281	3 882 876	4 978 608	1 129 543
	243 872 767	**125 652 544**	**157 535 152**	**36 552 789**

27 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.

Pension expense	11 602 185	8 591 048	7 805 614	2 499 168
NSSA expense	10 069 391	2 289 752	6 774 395	666 097
	21 671 576	**10 880 800**	**14 580 009**	**3 165 265**

28 DIRECTORS' EMOLUMENTS

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

Non-executive

Directors' fees for services as directors (**note 20**)	20 041 287	12 261 983	13 638 368	2 803 764

29 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.

29.1 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 ZWL5,000 (2021:ZWL900) and the maximum was ZWL74 600 000 (2021: ZWL12 900 000) for up to 15 months (2021:18 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.

Abridged Financial Statements

For the year ended 31 December 2022

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2022

29 RISK MANAGEMENT (continued)

29.1 Credit risk (continued)

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 :-

All figures in ZWL		2022	2021
Collateral types	**Segment**		
Mortgage Bonds	SME	2 589 802 647	63 591 418
Cession of book debts	SME	43 852 348	-
Guarantees	SME	-	-
Notarial Specific Covering bonds (NSCB)	SME	-	-
Moveable Assets	SME	110 861 460	
Cash cover	SME	9 875 919	808 780
Exposure credit guarantees	SME	-	4 000 000
Security Sharing Agreement	SME	-	15 000 000
Value of collateral		**2 754 392 374**	**83 400 198**

The collateral above is solely for the SME segment. The gross carrying amount of assets is ZWL 2 754 392 374. The gross loan book for SME and mortgage is ZWL 955 034 205. This implies that collateral cover is 288%. 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

All figures in ZWL	Notes	2022	2021
Cash and cash equivalents (excluding cash on hand)	4	210 631 414	193 118 174
Loans and advances to customers	5.1	1 526 655 858	179 544 277
Total credit risk exposure		**1 737 287 272**	**372 662 451**

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

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.

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.

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 2021: 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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
For the year ended 31 December 2022
29 RISK MANAGEMENT (continued)
29.1 Credit risk (continued)

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").

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

All figures in ZWL	Total	ECL Stage 2 and 3	Write offs	Impairment allowance
As at 31 December 2022				
Retail	611 390 284	12 774 551	-	8 329 134
Consumer	938 262 619	22 718 188	10 145 686	27 169 417
Construction	-	-	-	-
Agriculture	16 771 586	-	-	4 270 080
	1 566 424 489	**35 492 739**	**10 145 686**	**39 768 631**
As at 31 December 2021				
Retail	150 745 244	7 154 966	-	13 596 833
Consumer	491 689 892	67 541 109	13 677 922	44 351 730
Construction	107 950	-	-	787
Agriculture	77 277 785	-	-	6 970 661
	719 820 871	**74 696 075**	**13 677 922**	**64 920 011**

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.

29.2 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.

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 2022

All figures in ZWL	0-1 month	1-3 months	3-6 months	6-12 months	1-5 years	Total
Assets						
Cash and cash equivalents	549 415 056	-	-	-	-	**549 415 056**
Loan book	385 998 105	852 863 362	240 976 914	44 803 183	2 014 294	**1 526 655 858**
Other receivables	-	-	-	-	90 076 157	**90 076 157**
	935 413 161	**852 863 362**	**240 976 914**	**44 803 183**	**92 090 451**	**2 166 147 071**
Liabilities						
Borrowings	356 623 319	547 467 120	239 516 865	197 125 453	63 486 588	**1 404 219 345**
Deposits from customers	631 521 352	-	-	-	-	**631 521 352**
Other financial liabilities	28 555 648	-	-	-	215 169 084	**243 724 732**
	1 016 700 319	**547 467 120**	**239 516 865**	**197 125 453**	**278 655 672**	**2 279 465 429**
Asset and liability gap	**(81 287 158)**	**305 396 242**	**1 460 049**	**(152 322 270)**	**(186 565 221)**	**(113 318 357)**
Cumulative gap	**(81 287 158)**	**224 109 084**	**225 569 133**	**73 246 864**	**(113 318 357)**	**-**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
For the year ended 31 December 2022

29 RISK MANAGEMENT (continued)

29.2 Liquidity risk

Liquidity profiling 31 December 2021

All figures in ZWL	0-1 month	1-3 months	3-6 months	6-12 months	1-5 years	Total
Assets						
Cash and cash equivalents	711 862 892	-	-	-	-	**711 862 892**
Gross Loan book	102 050 093	201 311 600	173 977 318	137 445 008	2 410 884	**617 194 904**
Other receivables	-	-	-	-	164 341 282	**164 341 282**
	813 912 985	**201 311 600**	**173 977 318**	**137 445 008**	**166 752 166**	**1 493 399 078**
Liabilities						
Financial borrowings	57 363 413	119 173 455	170 447 692	629 157 721	-	**976 142 281**
Deposits from customers	272 410 215	-	-	-	-	**272 410 215**
Trade payables	57 616 809	-	-	299 341 838	-	**356 958 647**
	387 390 437	**119 173 455**	**170 447 692**	**928 499 559**	**-**	**1 605 511 143**
Asset and liability gap	**426 522 549**	**82 138 145**	**3 529 626**	**(791 054 552)**	**166 752 166**	**(112 112 065)**
Cumulative gap	**426 522 549**	**508 660 694**	**512 190 320**	**(278 864 231)**	**(112 112 065)**	**-**

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.

29.3 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	
All figures in ZWL	**2022**	**2021**	**2022**	**2021**
Fixed interest bearing assets	1 526 655 858	617 194 904	1 526 655 858	179 544 277
Fixed interest bearing borrowings	1 404 219 345	976 142 281	1 404 219 345	283 963 393

This risk is managed by the Microfinance Bank's Asset and Liabilities Committee ("ALCO") through the analysis of rate 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.

All figures in ZWL	31 Dec 2022	Effect on profit before tax 31 Dec 2022	31 Dec 2021	Effect on profit before tax 31 Dec 2021
Interest rate change				
1% increase				
Assets	1 526 655 858	7 271 389	179 544 277	3 755 570
Liabilities	1 404 219 345	4 823 404	283 963 393	1 563 432
Net effect		**2 447 985**		**2 192 138**

Interest rate repricing gap analysis

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.

The table below shows the interest rate repricing gap analysis;

All figures in ZWL	Up to 3 months	3 months - 1 year	Over 1 year	Total
As at 31 December 2022				
Assets				
Cash and cash equivalents	549 415 056	-	-	**549 415 056**
Loans and advances to customers	1 296 009 087	228 383 700	2 263 071	**1 526 655 858**
	1 845 424 143	**228 383 700**	**2 263 071**	**2 076 070 914**
Liabilities				
Deposits from customers	631 521 352	-	-	**631 521 352**
Borrowings	931 967 052	412 304 375	59 947 918	**1 404 219 345**
	1 563 488 404	**412 304 375**	**59 947 918**	**2 035 740 697**
Interest rate repricing gap	**281 935 739**	**(183 920 675)**	**(57 684 847)**	**40 330 217**
Cumulative gap	**281 935 739**	**98 015 064**	**40 330 217**	**-**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
For the year ended 31 December 2022

29 RISK MANAGEMENT (continued)

29.3 Market risk (continued)

All figures in ZWL	Up to 3 months	3 months - 1 year	Over 1 year	Total
As at 31 December 2021				
Assets				
Cash and cash equivalents	711 862 892	-	-	**711 862 892**
Loans and advances to customers	250 665 472	361 169 648	5 359 784	**617 194 904**
	962 528 364	**361 169 648**	**5 359 784**	**1 329 057 796**
Liabilities				
Deposits from customers	272 410 215	-	-	**272 410 215**
Borrowings	176 536 867	799 605 414	-	**976 142 281**
	448 947 082	**799 605 414**	**-**	**1 248 552 496**
Interest rate repricing gap	**513 581 282**	**(438 435 766)**	**5 359 784**	**80 505 300**
Cumulative gap	**513 581 282**	**75 145 516**	**80 505 300**	**-**

29.4 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;

As at 31 December 2022	USD	RAND	GBP	EUR	BWP	TOTAL
Assets						
Cash and cash equivalents	467 666 506	10 515 453	783 557	1 324 969	1 490 653	**481 781 138**
Loans and advances to customers	1 309 836 720	-	-	-	-	**1 309 836 720**
Related party receivables	26 850 372	-	-	-	-	**26 850 372**
Liabilities						
Related party liabilities	(34 758 416)	-	-	-	-	**(34 758 416)**
Deposits from customers	(217 266 576)	-	-	-	-	**(217 266 576)**
Borrowings	(1 330 863 636)	-	-	-	-	**(1 330 863 636)**
Net foreign exchange Position	**221 464 970**	**10 515 453**	**783 557**	**1 324 969**	**1 490 653**	**235 579 602**

29.5 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 ZWL1 526 419 761 which translates to USD2 230 502, was not in compliance with the RBZ's minimum capital requirement of USD equivalent of 5 000 000. Management continues to pursue strategies to ensure that the Microfinance Bank meets the minimum capital requirements by both organic growth and fund raising. The deadline for meeting the minimum capital requirement has been extended to 31 December 2023.

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.

All figures in ZWL	2022	2021
Total borrowings		
Other financial borrowings	1 404 219 345	283 963 393
	1 404 219 345	283 963 393
Less: cash and cash equivalents	549 415 056	207 083 544
Net debt	854 804 289	76 879 849
Total equity	1 275 429 169	395 151 608
Total capital	2 130 233 458	472 031 457
Gearing ratio	40%	16%

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;

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
For the year ended 31 December 2022

29 RISK MANAGEMENT (continued)

29.5 Capital risk management (continued)

- **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.

All figures in ZWL	2022	2021
Capital adequacy		
Share capital	116	116
Share premium	8 562 235	8 562 235
Retained earnings	472 980 506	228 875 490
Revaluation reserve		
	481 542 857	237 437 841
Less: deductions		
Insider loans	-	-
Encumbered assets (Bank facility)	(176 917 050)	(176 917 050)
Total core capital	304 625 807	60 520 791
Supplementary capital		
Other reserves (limited to equivalent of core capital)	304 625 807	53 870 365
General provisions	20 857 883	5 436 821
Core capital plus supplementary	630 109 497	119 827 977
Net capital base	630 109 497	119 827 977
Risk weighted assets	2 740 342 833	434 945 675
Tier 1 Ratio	11%	14%
Tier 2 Ratio	23%	28%
Capital adequacy ratio	23%	28%

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 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.

29.6 Risk Ratings
The Reserve Bank of Zimbabwe conducted an offsite inspection on the Microfinance Bank in the last quarter of 2022 and detailed below were the final ratings.

CAMEL* Component	RBS** Rating 31 December 2022
Capital Adequacy	4
Asset/Portfolio quality	3
Management, Corporate Governance and Outreach	4
Earnings	3
Liquidity and Funds Management	3

* 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

30 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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
For the year ended 31 December 2022

30 FAIR VALUE OF ASSETS AND LIABILITIES (continued)

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.

All figures in ZWL	Level 1	Level 2	Level 3	2022
Fair value hierarchy				
As at 31 December 2022				
Loans and advances to customers and shareholders	-	-	1 526 655 858	1 526 655 858
Investment properties	-	-	517 000 000	517 000 000
Other assets	-	-	144 500 370	144 500 370
Total	**-**	**-**	**2 188 156 228**	**2 188 156 228**
Other financial liabilities	-	-	274 228 275	274 228 275
Deposits from customers	-	-	631 521 352	631 521 352
Borrowings	-	-	1 404 219 345	1 404 219 345
Total	**-**	**-**	**2 309 968 972**	**2 309 968 972**

All figures in ZWL	Level 1	Level 2	Level 3	2022
Fair value hierarchy				
As at 31 December 2021				
Loans and advances to customers and shareholders	-	-	617 194 904	617 194 904
Investment properties	-	-	475 896 332	475 896 332
Other assets	-	-	164 341 282	164 341 282
Total	**-**	**-**	**1 257 432 518**	**1 257 432 518**
Other financial liabilities	-	-	356 958 647	356 958 647
Deposits from customers	-	-	272 410 215	272 410 215
Borrowings	-	-	976 142 281	976 142 281
Total	**-**	**-**	**1 605 511 143**	**1 605 511 143**

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.

All figures in ZWL	2022	2021
Change in land value per square meter (sales comparison):		
5% change in replacement cost per square meter	25 850 000	6 922 000
Change in rentals per square meter (Implicit Investment Approach):		
5% change in rentals per square meter	25 413 422	6 805 095
Change in the yield earned (Implicit investment approach):		
1% change in yield earned on the investment properties	51 700 000	13 844 000

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

31 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.

32 CONTINGENT LIABILITIES

There were no contingent liabilities as at as at 31 December 2022 (31 December 2021: ZWLnil).

33 CAPITAL COMMITMENTS

There were no authorised and contracted or authorised but uncontracted capital expenditure as at 31 December 2022. (31 December 2021: ZWLNil)

34 EVENTS AFTER THE REPORTING DATE

The Microfinance Bank issued a cautionary statement with regard to delisting from the Zimbabwe Stock Exchange.

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GetBucks Microfinance Bank Limited

Annual Financial Statements

31 December 2022

NATURE OF BUSINESS:

GetBucks Microfinance Bank Limited ("GetBucks" or "the 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 52.41% of the Bank's ordinary shares. The Bank was listed on the Zimbabwe Stock Exchange on 15 January 2016 and obtained its deposit taking license in the same month.

BOARD OF DIRECTORS:

Mbire R.	(Chairman)	
Soko P.	(Non-executive Director)	
Machiva J.	(Non-executive Director)	
Madamombe M.	(Chief Operating Officer)	
Chigumbu W.	(Chief Finance Officer)	
Nheweyembwa G.	(Managing Director)	(Resigned 31 March 2022)
Matute P. J.	(Non-executive Director)	(Resigned 31 August 2022)
Munowenyu T.	(Non-executive Director)	(Appointed 8 February 2022)
Chavora E.	(Managing Director)	(Appointed 1 April 2022)
Chibaya B.	(Non- executive Director)	(Appointed 11 March 2022)

SECRETARY:

Chigwendere M.

REGISTERED OFFICE:

5 Central Avenue
MIPF House, First Floor
HARARE

LAWYERS:

Mafongoya and Matapura Law Practice
3 Cinnabar Court, 103 Baines Avenues
HARARE

AUDITORS:

Grant Thornton
Chartered Accountants (Zimbabwe)
Registered Public Auditors
Camelsa Business Park
135 Enterprise Road
Highlands
HARARE

BANKERS:

Ecobank Zimbabwe Limited
Block A, Sam Levy's Office Park
Number 2 Piers Road,
Borrowdale
HARARE

NMB Bank Limited
Shop 37 and 38 Sam Levy's Village
Borrowdale
HARARE

Contents

These inflation adjusted annual financial statements are expressed in Zimbabwe Dollars (ZWL).

Responsibilities of Management and Those Charged with Governance for the Inflation Adjusted Annual Financial Statements for the year ended 31 December 2022

It is the Directors' responsibility to ensure that the inflation adjusted annual financial statements fairly present the state of affairs of GetBucks Microfinance Bank Limited. The external auditors are responsible for independently reviewing and reporting on the inflation adjusted annual financial statements.

The Directors have assessed the ability of GetBucks Microfinance Bank Limited to continue as a going concern and believe that the preparation of these inflation adjusted annual financial statements on a going concern basis is still appropriate. However, the Directors believe that under the current economic environment a continuous assessment of the ability of the Company to continue to operate as a going concern will need to be performed to determine the continued appropriateness of the going concern assumption that has been applied in the preparation of these inflation adjusted annual financial statements.

The inflation adjusted annual financial statements are prepared with the aim of complying fully with International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standards Board (IASB), which includes standards and interpretations approved by the IASB and Standing Interpretations Committee (SIC) interpretations issued under previous constitutions.

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

The Microfinance Bank's accounting and internal control systems are designed to provide reasonable assurance as to the integrity and reliability of the financial statements and to adequately safeguard, verify and maintain accountability of its assets. Such controls are based on established written policies and procedures and all employees are required to maintain the highest ethical standards in ensuring that the Microfinance Bank's business practices are conducted in a manner which in all reasonable circumstances is above reproach. Issues that come to the attention of the Directors have been addressed and the Directors confirm that the system of accounting and internal control is operating in a satisfactory manner.

The Microfinance Bank's inflation adjusted annual financial statements which are set out on pages 9 to 84 were, in accordance with their responsibilities, approved by the Board of Directors on ....28 April.......... 2023 and are signed on its behalf by:

……………………………… ……………………………………

Chavora E.
Managing Director

Mbire R.
Chairman

These inflation adjusted annual financial statements were prepared under the supervision of:

…………………………

Chigumbu W.
Chief Finance Officer
Registered Public Accountant (PAAB Number 03471)

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

Qualified Opinion

We have audited the financial statements of GetBucks Microfinance Bank Limited set out on pages 9 to 84, which comprise the statement of financial position as at 31 December 2022, and the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and the notes to the financial statements, including a summary of significant accounting policies.

In our opinion, except for the matters described in the Basis for Qualified Opinion section of our report, the financial statements present fairly, in all material respects, the financial position of GetBucks Microfinance Bank Limited at 31 December 2022, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for Qualified Opinion

Non-compliance with International Accounting Standard (IAS) 21 - The Effect of Changes in Foreign Exchange Rates in the prior financial years and International Accounting Standard (IAS) 8 – Accounting Policies, Changes in Accounting Estimates and Errors

During the prior financial years, the foreign currency denominated transactions and balances of the Microfinance Bank were translated into ZWL using the interbank exchange rates which were not considered appropriate spot rates 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 2022.

As the non-compliance with IAS 21 is from prior financial years and there have been no restatements to the prior year financial statements in accordance with IAS 8, some comparative numbers in the financial statements may be misstated. Our opinion on the current year financial statements is modified because of the possible effects of the above matters on the comparability of the current year's figures to corresponding figures of the comparative period. As a result of the residual effects of the non-compliance with IAS 21 and the non-restatement of the comparative figures in accordance with IAS 8, the accumulated loss may contain misstatements.

The effects of the above non-compliance with International Financial Reporting Standards were considered to be material but not pervasive to the financial statements.

Inability to obtain sufficient appropriate audit evidence on the other receivables account balance

As at 31 December 2022, the Microfinance Bank had an other receivables account with a balance of ZWL 51 097 124. Due to the absence of sufficient and appropriate evidence, we were unable to verify the existence, valuation and allocation, completeness and accuracy of the other receivables account balance. As a result, we were unable to determine whether any adjustments to this amount were necessary.

Material Uncertainty Related to Going Concern

We draw attention to **Note 29.2** of the inflation adjusted annual financial statements, which indicates that the Microfinance Bank had a negative liquidity gap amounting to **ZWL 113 318 357.** This indicates that a material uncertainty exists that may cast significant doubt on the Microfinance Bank's ability to continue as a going concern. 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.	Our audit procedures included the following: • Our audit procedures include testing of design and operating effectiveness of internal controls implemented as well as test

Interest income is a key measure used to evaluate the performance of the Microfinance Bank. 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 Microfinance Bank. This is a significant risk and accordingly a key audit matter.	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 Microfinance Bank's interest and similar income recognition criteria is adequate and appropriate.
Loans and advances Loans and advances form a major portion of the Microfinance 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 and advances, this audit area is considered a key audit risk.	**Our audit procedures included the following:** • Our audit procedures include testing of design and operating effectiveness of internal controls implemented as well as test of details to ensure accurate processing of loans and advances. • We obtained understanding of the Microfinance 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 Microfinance Bank'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 Microfinance Bank 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 Microfinance Bank'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 Microfinance Bank or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Microfinance Bank'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 Microfinance Bank'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 Microfinance Bank'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 Microfinance Bank 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 Microfinance Bank to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the Microfinance Bank 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.

Report on other legal and regulatory requirements

In our opinion, except for the effects of the matters described in the *Basis for Qualified Opinion* section of this report, the inflation adjusted financial statements have been properly prepared, in all material respects in accordance with the requirements of the Companies and Other Business Entities Act (Chapter 24:31).

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 ……28 April…… 2023
Chartered Accountants (Zimbabwe)
Registered Public Auditors

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