



# 2019 ANNUAL REPORT

# OUR VISION

A reliable regulator of diverse and  
efficient capital markets  
underpinned by strong institutions.

# OUR MISSION

To protect investors through effective regulation of capital markets.

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# Chairman's Statement



The year 2019 was characterized by the issuance of a plethora of subsidiary legislation and guidelines to tame the vicious cycle of rampant inflation, volatile exchange rates and foreign currency availability. The developments in the monetary sector started off with the separation of bank accounts, followed by the criminalization of illegal foreign currency trading. A local currency unit named RTGS (ZWL) was introduced and restrictions imposed on the period that exporters and generators of foreign currency could hold on to their foreign currency receipts. The multi- currency system was eventually done away with in June 2019.

A notable event was the introduction of an interbank foreign exchange market in February 2019 to preserve the purchasing power of the local currency and to restore export competitiveness within the economy. The interbank foreign exchange market ended the 1:1 currency parity that had resulted in multi-tier pricing of most products and services.

In March 2019, the interbank rate was pegged at 1:2.98 and the Securities and Exchange Commission's (SECZ) expenditure greatly increased, due to the pegging of prices in US\$ and the continuing inflationary spiral. Income was not keeping pace with prices and running costs. However, as inflation continued to gallop as the year progressed income earned by SECZ also increased as investors saw the ZSE as a convenient store of value thus boosting trading activity on the bourse.

As the year progressed, quoted corporate entities adopted International Accounting Standard (IAS)29 Reporting in a hyperinflationary environment. This was after the Public Accountants and Auditors Board (PAAB) officially recognized the hyperinflationary environment for reporting periods from 1 July 2019. Fuel and electricity shortages continued, and the drought situation exacerbated the situation.

**“Guided by our values: Fairness, Accountability, Competence, Integrity and Teaming our desired outcome is Increased Participation in Capital Markets.**

**An outcome that will have a positive impact on several national priorities including, Sustainable Economic Growth, Good Governance, Inclusive Growth, Poverty Reduction, Moving the Economy up the Value Chain, Enhanced Quality of Life, and Good Rating for our Country Regionally and Internationally.”**

On the awareness and visibility front, the SECZ returned to the Zimbabwe International Trade Fair (ZITF) in April 2019 in partnership with the Zimbabwe Stock Exchange (ZSE) and Financial Securities Exchange (Finsec), after a hiatus due to the prohibitive costs. An investor handbook was developed for launching at the ZITF in Bulawayo. As it became evident that the investor education component of the Commission's mandate was falling behind, a decision was made to recruit a Head of Investor Education with a fully-fledged department in the year 2020.

The country was placed in the International Co-operation Review Group (ICRG) because of inadequacies in the implementation of Anti-Money Laundering and Combating the Financing of Terrorism (AML/CFT) standards, though the legislation was in place. The SECZ continued to participate in national and regional fora on AML/CFT during the year to keep abreast of developments and ensure compliance in the capital markets.

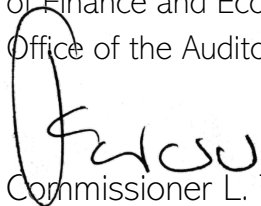
Throughout the year, more market intermediaries were licensed, especially in the investment advisory category. The Investor Protection Board welcomed Retired Justice V. Ziyambi as its new Chairperson, while Mr. N. Zhou came in as a member, representing the PAAB.

The Commission conducted its first internship innovation challenge which turned out to be so successful that it was decided to run it on an annual basis.

#### ACKNOWLEDGEMENTS

Economic challenges continued to dog the nation throughout the year 2019. The Board of Directors had to intervene on several occasions with regards to staff welfare to ensure reasonable levels of staff morale. These spirited interventions could not however keep up with the rapidly changing inflationary environment.

Our gratitude therefore goes to the Commissioners, Management and Staff for steering the ship in increasingly turbulent waters. Further, we wish to extend our gratitude to the Ministry of Finance and Economic Development, the internal and external auditors, as well as the Office of the Auditor General for their usual support.



Commissioner L. T. Gwata  
Chairman

# TO OUR STAKEHOLDERS



“We must thus always be led by our own vision and mission, themselves rallying cries of our desire to develop our country”.

## Strategic Focus Areas

### EFFECTIVE REGULATORY ENVIRONMENT

The SECZ team is committed to driving the Commission to becoming a complete regulator of capital markets. At the centre of this law-making is the Commission's desire to provide investors world class protection and to foster mutually beneficial interaction with by market players and issuers.

### INVESTOR EDUCATION AND AWARENESS

Securities regulation is centred on protecting investors. Having spent years shaping the capital market from an intermediary perspective beginning 2019 the focus widened to include protecting investors from potential issuer abuse. We expanded our education and awareness programmes to benefit both issuers and investors.

### EFFICIENT ICT DRIVEN CAPITAL MARKET

As the Commission embraces the Internet of Things, we are stepping up efforts to inculcate the same within all Securities Market Intermediaries by encouraging systems upgrades to allow seamless market wide integration. Long term benefits are expected to accrue through faster execution of transactions, elimination of unnecessary processes and costs and scope for introducing new products and services.

### WELL-RESOURCED COMMISSION

The Commission is a people driven organisation. Senior management undertakes to generate high staff morale and motivation by providing a pleasant work environment and remuneration package sufficient to cushion, where possible, against the vagaries of an inclement economic environment.

## 2019 Highlights

### ENHANCED SECURITIES LAWS

During the year we concluded the drafting of amendments to the Securities and Exchange Act to enhance the Commission's regulatory powers in addition to ensuring compliance for IOSCO membership.

The Commission also amended the Collective Investment Schemes (Internal Schemes) rules to allow for commodity funds, exchange traded funds, property funds and real estate investment trust schemes which were not being offered in the market.

Further enhancements were through the gazetting of the Zimbabwe Stock Exchange Listing Requirements as a statutory instrument to provide the basic requirements for listing, delisting and suspension of securities listed on the ZSE. Further, the Commission also approved the ZSE's Exchange Traded Products (ETPs) Requirements and Market Making Rules.

### INVESTOR EDUCATION

Overall social media engagements went up by 51% compared to 2018. Other direct engagements with investors was through our weekly column in the Herald newspaper. During the year we also strengthened our consumer education collaboration with the Insurance and Pension Commission and the Reserve Bank of Zimbabwe. To direct our activities more precisely we conducted a perception survey to respond more effectively to investor views on market participation and protection. It is our hope that the all encompassing investments handbook and educational video which we produced in the year will improve investors' understanding of the securities market.

### ICT UPGRADE

We embarked on a digital transformation and implemented an Intranet thus enabling ease of internal collaboration, storage of regulatory files and automation of mundane processes.

### STUDENTS ON ATTACHMENT

In May 2019 we launched the Internship Innovation Challenge to formally recognise and reward students on attachment with the Commission. This challenged our ten interns to exercise their minds and offer innovative solutions to how the Commission could improve its operations.

### INFLATION ADJUSTED DEFICIT FOR THE YEAR

Inflation adjusted total income for 2019 was ZWL29.4m compared to ZWL29.8m in 2018, a reflection of the stock market's hedge against inflation. Securities levy at ZWL21.4m was 10% lower than 2018. Other levies were down 30% from prior year levels. Due to its fixed statutory nature, License Fee income could not keep pace with inflation and so fell 37% below last year. While income fell short of inflation, some expenditure items surpassed inflation. The resultant loss of value is seen in a net monetary loss of ZWL5,6m in 2018 and ZWL15,3m in 2019. The bottom-line result was an inflation adjusted deficit of ZWL7,3m in 2019 from a surplus of ZWL3m in 2018. Total expenditure excluding the net monetary loss was 1% above 2018.

## Looking ahead

In 2020 the Commission will concentrate on two Key Result Areas: Capital Market Regulation and Investor Education. After assessing the needs and problems of our direct clients and stakeholders together with the causes of their problems we drew up strategies to address them and, in the process, fulfil our core mandate of regulating capital markets and educating investors. The environment likely to obtain in 2020 is far from ideal and predictable. Considering how the external forces will impact the Commission, its clients, and stakeholders the strategies are designed to capitalise on our strengths and the opportunities while mitigating the potential harmful effects of external threats and our internal weaknesses

Tafadzwa Chinamo  
Chief Executive Officer  
June 2020





CEO Tafadzwa Chinamo addresses the Commission's inaugural AGM held at the SECZ offices on 30 September 2019. Chairman Livingstone Gwata (facing audience) looks on.

# ORGANISATIONAL STRUCTURE AND RESOURCES

The SECZ is operationally independent of government and its public service. As a specialized administrative body, the Commission is self-governing and self-funding based on regulatory fees and levies. The Commission is a body of statute and reports to the Minister of Finance and Economic Development having been established by the Securities Act (Chapter 24:25) (which repealed the Zimbabwe Stock Exchange Act (Chapter 24:18)) and became operational on the 1st of September 2008.

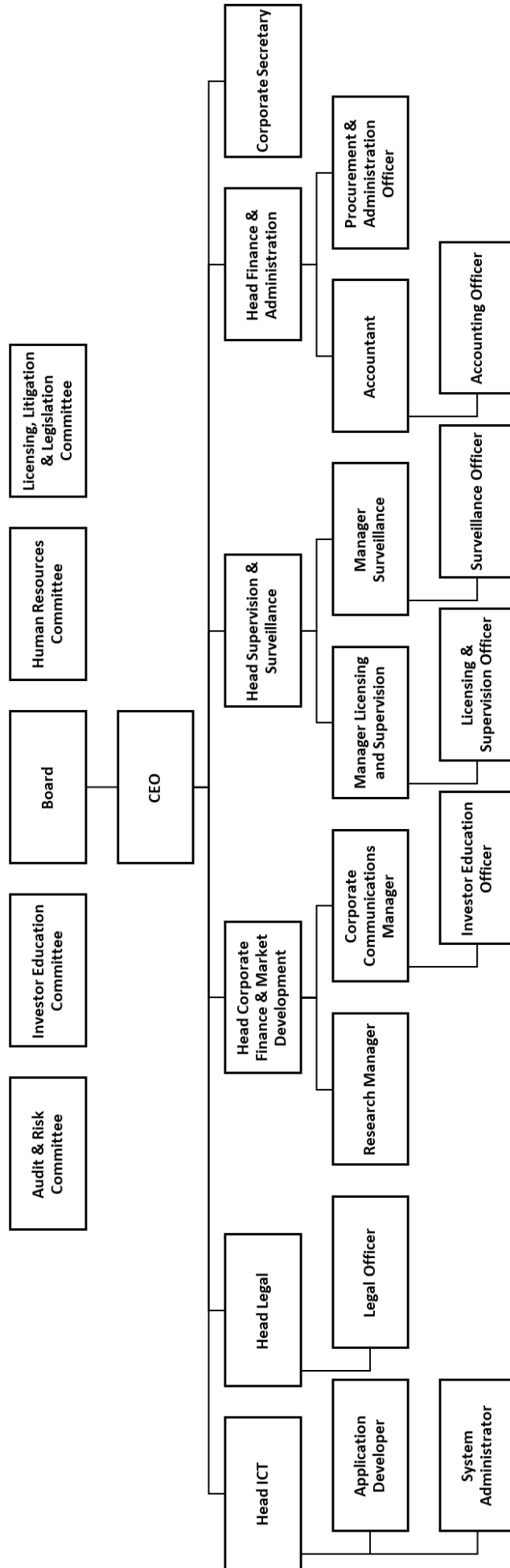
The aim of SECZ is to create and maintain a safe and sound investment environment in the securities and capital markets of Zimbabwe. The key objectives of the commission are: Providing high levels of investor protection; Reducing systemic risk in the capital markets; Promoting market integrity and investor confidence; Preventing market manipulation, fraud and financial crime; and Ensuring transparency in capital and securities markets and Promoting investor education.

In line with its mandate derived from the Act, the Securities Commission is responsible for: Regulating trading and dealing in securities; Registering, supervising and regulating securities exchanges; Licensing, supervising and regulating licensed persons; Encouraging the development of free, fair and orderly capital and securities markets in Zimbabwe; and Advising the Government on all matters relating to securities and capital markets.

## Board

In accordance with Securities Act the Board of directors' (Commissioners) key purpose is to ensure the fulfils its mandate by collectively directing the Commission's affairs, whilst meeting the appropriate interests of its stakeholders. In addition to business and financial issues the Board deals with challenges and issues relating to corporate governance, corporate social responsibility, and ethics.

## Organisational Chart







Heads of Departments (from left) Lyinah Madende – Legal, Kundai Msemburi – Corporate Finance and Market Development, Norman Maferefa – Licensing, Surveillance and Supervision, Cordelia Mutangadura – Corporate Secretary, Brian Gava – ICT and Gerald Dzangare – Finance and Administration

## CEO

The CEO has overall responsibility for creating, planning, implementing, and integrating the strategic direction of the Commission. This includes responsibility for all components and departments of SECZ. The CEO makes certain that the Commission's leadership maintains constant awareness of both the external and internal landscape and industry developments.

The mandate of the CEO is therefore to manage the day to day operations of the Commission and ensure that operations are consistent with policies developed by the Board and are carried out in such a way that meets the requirements of the Securities Act. The CEO leads, in conjunction with the Board, the development and implementation of the Commission's strategy while ensuring that Commission procedures and overall management are designed in accordance with established Board policy. The CEO keeps the Board informed of existing or impending Board policy issues.

The CEO acts as a direct liaison between the Board and management of the Commission and communicates to the Board on behalf of management. The CEO also communicates on behalf of the Commission to employees, Government, the market, and the public.

## Legal

The department's key role is to interpret all legal statutes relevant to SECZ, research and keep abreast with best practice legislation, recommend review of legislation and draft new legislation and rules in line with global best practice. The department acts as internal legal counsel and confidante to the Chief Executive Officer, members of the Board, and other members of senior management.

As legal counsel the department oversees the application of the laws and legislation the Commission applies in regulating the market and takes a lead in drafting new securities laws. The Commission believes that its rules and regulations should be drafted to enable market participants to clearly understand their obligations under the securities laws and to conduct their activities in compliance with law. The Commission recognises that rulemaking is often required to remedy abusive practices or to respond to Government mandates, changing economic conditions, advances in technology, or novel products or services. The Commission aims to promulgate rules that are clearly written, easily understood, and tailored toward specific ends.

In general, rulemaking and policies are designed to improve disclosure, facilitate the flow of important information to investors and the public, improve governance, promote high-quality accounting standards, and enhance the accountability of the trading markets, among other goals. When properly crafted, these rules serve to further the Commission's mission.

## Licensing, Supervision and Surveillance

Licensing and supervision of market participants is a seamless process that gives the Commission a face in the eyes of all licensees. The engagement of any player with the market begins with an application for a license and it is at this stage the Commission satisfies itself that the individuals and the companies who intend to operate in the capital markets are suitable and meet all the requirements. Once the Commission grants a licence it is further tasked to ensure that the licensee upholds the attendant standards. The department collaborates with the other departments in sanctioning licensees that are found to have violated the standards as set out in the Securities Act and the Commission's rules and regulations. This process ensures that relicensing is done from a position of practical knowledge and experience in dealing with the licensee.

The department monitors trading of securities and seeks to prevent market manipulation by those seeking to engage in improper trading. The department is also tasked to regularly assess how effectively licensees are complying with their legal obligations to operate fair, orderly and transparent markets.

The department therefore directs its efforts to seeing that licensee inspections are well planned and systematically conducted to cover all perceived risks that players may face or introduce to the market. Reports of all contact with licensees are documented in a standardised format and with timely implementation in accordance with laid down processes and procedures. Through disclosure reviews and examinations of securities dealers, investment advisers, self-regulatory organizations (SROs) and other market participants, the Commission seeks both to detect violations of the securities laws and rules and to foster strong compliance and risk management practices within these firms. When violations do occur, the department investigates and brings enforcement actions against regulated persons and entities. While detecting violations of securities laws is an integral aspect of the Commission's objectives, proactively working to prevent future violations is deemed even more important to protecting investors and enhancing market integrity.

Due to its daily interface with the market this department is best placed to anticipate, and articulate new developments needed to improve the market. The department works towards developing the capital markets and as such its contact with licensees also seeks to counsel and improve standards and systems in addition to sanctioning unacceptable practices. The Commission seeks to encourage within organisations of all sizes a strong culture of compliance, from top leadership down, that fosters ethical behaviour and decision making.

## Corporate Finance and Market Development

The department has four functions namely, corporate finance, research, investor education and corporate communication. Corporate finance takes the form of analysing, reviewing, and recommending to the Commission action to take on all corporate actions filed with the Commission for approval. Research is carried out to guide the Commission's approach to regulating the securities and capital markets as well as assessing new products and services. Based on this research and other knowledge the Commission plans and carries out consumer



awareness and investor education initiatives. In collaboration with the rest of the Commission, the department develops and implements a corporate communications strategy that informs stakeholders of the Commission's mandate and activities being undertaken to fulfil its obligations.

Assessment and approval of corporate actions is done jointly with the ZSE. The Commission's goal is to safeguard interests of investors and uphold the integrity of the market. Every corporate action will be scrutinised for adherence to relevant rules and regulations. The Commission will ensure that full disclosures are made and communication to all investors is plain and simple to understand.

The Commission is a knowledge based institution meaning that key decisions are always made from the position of knowledge. The primary focus of the department's research efforts is to improve the Commission's effectiveness as a regulator. The Commission accepts that the world of securities is ever changing and as such through research will keep abreast with developments to nurture rather than discourage initiatives to improve the market. Information within and available to the SECZ becomes a Commission wide shared resource, appropriately protected, that enables a collaborative and knowledge based working environment.

Providing high level of investor protection and promoting investor education are two founding objectives of the SECZ. The Commission believes that investors who have access to information and know what questions to ask are more likely to invest wisely. The department therefore runs investor awareness campaigns and educational programs targeted at all levels of investors to empower them to exercise their rights. In addition, SECZ staff work collaboratively with other regulators and educational organisations to place information in the hands of the investing public to promote informed decisions as well as to help investors avoid fraudulent activities.

The Commission accepts that without the appropriate and sustained stakeholder engagement and relationship management strategies its role and relevance may not be understood. The department therefore works to on these two aspects to promote the Commission as a regulator of integrity, amongst its peers, and to foster investor confidence.

## ICT

The Commission's information technology environment gives employees the tools they need to view, analyse, and act upon the enormous volume of financial data and other information relevant to oversee the securities markets. ICT department therefore plans, organises, directs, controls, and coordinates the acquisition, development, maintenance and use of computer and telecommunication systems within the organisation.

The ICT depart has overall responsibility for the management and ongoing development of the Commission's Information and Communications Technology needs. This involves working and consulting with the management team, exchanges, CSDs and market participants to continually develop the industry while safeguarding its integrity.

In developing the ICT infrastructure, the department advises on the strategic direction of key electronic resources including websites and information databases to proactively identify and develop new and innovative ways of disseminating information to the market, investors, and the public.

## Finance and Administration

The department is responsible for developing and implementing financial and administrative systems of internal control such as: payroll, bookkeeping, insurance, budget and cost control, personnel policies, accounting functions, procurement procedures, contracts, inventory management and control procedures, security of facilities, financial reporting, collection of fees and levies and obtaining appropriate financing. In fulfilling the Commission's goals, the department develops budgeting methodology and aids other departments in preparing their budgets. The department ensures that taxes and other payments are made in a timely manner to all government agencies.

In regulatory matters requiring accounting expertise the department acts as a reference point and advisor to the Commission. The role extends to representing the Commission on committees setup in conjunction with other regulatory bodies in dealing with financial reporting standards and practices.

## Company Secretarial

Company Secretary: the department is the official keeper of records and minutes of the Commission serving as a focal point for communication with and between the Board, senior management and stakeholders, and whose key role is the administration of the Board and critical corporate matters. A key responsibility under the corporate secretary role is to ensure that Board members have the proper advice and resources for discharging their fiduciary duties under the law. Responsibility extends to ensuring that the records of the Board's actions reflect the proper exercise of those fiduciary duties.



## Board and Committees

The membership of the Commission was unchanged in the year 2019, with seven of the Commissioners completing three years of their first four year tenure since their appointment in November 2016. Below is the full membership of the Commission.

BOARD	
Mr. L.T. Gwata - Chairman	Mr. G.P. Manungo
Mr. Y. Banda	Mr. H. Nkomo
Mrs. E.R. Chitanda	Dr. P. Paradza
Mr. P. Chitando	Mrs. F.E. Ziumbe

The Board met four (4) times in ordinary and twice (2) in special meetings. One of the special meetings was the inaugural Annual General Meeting that was held on 30 September 2019. The Commission met the statutory requirement regarding meetings.

The Audit & Risk Management Committee met four (4) times in ordinary meetings and twice (2) in special meetings, while the Licensing, Litigation & Legislative Committee met four (4) times. In terms of the Act, the Audit & Risk Management and the Licensing, Litigation and Legislative Committees shall meet as often as necessary to carry out their functions.

The Human Resources Committee and the Investor Education Committees also met four (4) times each during the year, in compliance with their Terms of Reference.

The Board Chairman stepped down from the chairmanship of the Human Resources Committees at the end of 2019, with Commissioner Manungo assuming the chairmanship in 2020. This was necessitated by the need to comply with provisions of the Public Entities Corporate Governance Regulations.

The composition of the Committees was thus;

<p><b>Audit and Risk Management</b></p> <p>Comm. P Chitando- Chairman Comm. Y. Banda Comm. E.R. Chitanda Comm. H. Nkomo and Comm. P. Paradza</p>	<p><b>Licensing, Litigation and Legislative</b></p> <p>Comm. H. Nkomo – Chairman Comm. Y. Banda Comm. E.R. Chitanda Comm. G. Manungo Comm. F.E. Ziumbe</p>
<p><b>Investor Education</b></p> <p>Comm. F.E. Ziumbe - Chairman Comm. Y. Banda Comm. E.R. Chitanda Comm. G.P. Manungo Comm. P. Paradza</p>	<p><b>Human Resources</b></p> <p>Comm. L.T. Gwata- Chairman Comm. P. Chitando Comm. G.P. Manungo Comm. P. Paradza Comm. F.E. Ziumbe</p>



The SECZ Team listens to instructions before attempting the Spider Web Team Building game. The game brings up all the standard group/team problem solving issues, quality issues, ethical issues, and strategic issues.



# Chief Executive's Report

## Introduction

During 2019 the Zimbabwean economy performed below expectation as it contracted by approximately 6.5%, the worst annual performance in sub-Saharan Africa. This contraction was largely due to exogenous shocks in the form of the most devastating drought in four decades as well as cyclone Idai that wreaked havoc in the eastern highlands of Zimbabwe. The year failed to bring about a resolution to the underlying key macroeconomic challenges namely, international re-engagement, coordinated sustainable fiscal, monetary, and foreign exchange policies to resuscitate the economy.

As expected, the capital markets had a lacklustre year as investment returns were generally below inflation. A key benchmark to securities performance, the Zimbabwe Stock Exchange (ZSE), opened the year strong through repricing amid investor efforts to catch up with the previous year's currency shift. For much of 2018 the stock market had lagged inflation resulting in huge discounts across the board which investors took advantage of in early 2019.

**Table 1: Number of Active Investors in Capital Markets**

	2018	2019
<b>Active Stock Market investor</b>		
Individuals	6,614	8,025
Local Institutions	1,958	2,253
Foreign	884	1,014
<b>Subtotal</b>	<b>9,456</b>	<b>11,292</b>
<b>Investors with Asset Managers</b>	<b>95,871</b>	<b>101,345</b>
<b>Total</b>	<b>105,327</b>	<b>112,637</b>

As inflation rose consistently throughout the year the number of investors seeking inflation beating returns increased as shown in table 1. These investors were served by 144 Securities Market Intermediaries (SMIs).

Internally the Commission took measures to strengthen its ability to deliver on its core supervisory and market facilitation mandate

which include licensing, surveillance, on-site and off-site monitoring and enforcement. Measures were also taken to improve the Commission's IT infrastructure and capabilities along with its human capital, to support the Commission's operations efficiently and effectively. Four high priority areas were identified namely, strengthen risk-based supervision, implement strategy to support market development, improve the technology platform and improve human resources management.

To strengthen its risk-based supervision capabilities, through the Supervision and Surveillance department, an institutional risk model was developed, and implementation has begun with completion expected in 2020. As part of the implementation, an institutional risk assessment is done quarterly, and a report submitted to the Audit and Risk Committee. The Commission's internal risk assessment for the period ended 31 December 2019 using the Risk Identification and Control Self-Assessment (RICSA) Framework showed a moderate overall risk rating and direction of risk was considered stable. The rating was based on aggregated departmental qualitative and quantitative assessments which include key risk indicator metrics.

To extend the Risk-Based Supervision approach to cover market conduct, the Commission needs to acquire an AML/CFT Risk Based Supervision system and a Prudential Risk Management system. The acquisition of these systems requires significant capital outlay and the Commission is looking for assistance from development finance institutions, bi-lateral and multi-lateral institutions (through the Ministry of Finance and Economic Development).

The development of the Capital Markets Master Plan (CMMP) which was to spearhead strategies to support market development has been put on hold due to the turbulent macro-economic environment obtaining in Zimbabwe. Funding for this project was due to come from FSD Africa, a UK Government funded development agency. However, the Commission crafted its own strategy that supports market development. Specifically, a thrust on promoting investor education will ensure regular engagement and collection of input from key stakeholders. The strategy also entails research into new investment products and regional integration initiatives.

The Commission acknowledges the importance of internet enabled platforms in developing the capital markets. While encouraging all SMIs to invest in the latest technologies the Commission has made significant strides in upgrading and improving its technology platform through the development and implementation of a SharePoint Intranet System. This system facilitates document

management and process automation for all the Commission's activities. Most importantly, the system, once fully developed, will host a Regulatory and Compliance Portal through which efficient and effective Risk Based Supervision can be implemented.

Human resources are by far the Commission's most essential resource and management is always looking to improve its management of human capital. To this end in 2020 an HR department will be created to centralize the human resources function. In addition to establishing an HR department all staff are due to undergo needs-based comprehensive staff development training.

#### Investor Protection Fund

During the year, the Commission appointed Retired Justice Vernanda Ziyambi as Chairperson of the Investor Protection Board in Q3, 2019 to replace Justice Smith, whose term had expired. Mr. Nyasha Zhou was also appointed as a board member to replace Dr W. Sibanda who died in 2018.



**Supervision Manager Tirivafi Nhundu speaks to Securities Market Intermediaries during the Commission's training on Anti-Money Laundering and Combating the Financing Terrorism.**

# Legislative and Legal Developments

## Securities and Exchange Act Amendments

The Commission, working together with the Attorney General's Office and the Ministry of Finance and Economic Development concluded the drafting of amendments to the Securities and Exchange Act [*Chapter 24:25*]. Market consultations were carried out in 2018. Further consultations were done in 2019 which saw additional amendments mainly to comply with IOSCO requirements. The Amendments also seek to enhance the Commission's regulatory powers.

## Amendment of Collective Investment Schemes (Internal Schemes) Rules Statutory Instrument 172 of 1998

The Commission amended the Collective Investment Schemes (Internal Schemes) rules to increase securities products variety in the market. The new products include commodity funds, exchange traded funds, property funds and real estate investment trust schemes which were not being offered in the market. The Collective Investment Schemes (Internal Schemes) Amendment rules were published in the Government Gazette of 15th November 2019 as Collective Investment Schemes (Internal Schemes) (Amendment) Regulations, 2019 (No. 5) statutory instrument 240 of 2019.

The Commission also amended various statutory instruments that provide for licensing and registration fees for market intermediaries. The rules were published in the Government Gazette of 20<sup>th</sup> December 2019.

- i. Securities (Alternative Trading Platform) (Amendment) Rules, 2019 (No. 1) Statutory Instrument 266 of 2019;
- ii. Securities (Registration, Licensing and Corporate Governance) (Amendment) Rules, 2019 (No. 1) Statutory instrument 267 of 2019;
- iii. Collective Investment Schemes (Fees) (Amendment) Rules, 2019 (No. 1) Statutory instrument 268 of 2019.

## Zimbabwe Stock Exchange Rules

The Securities and Exchange (Zimbabwe Stock Exchange Listing Requirements) Rules were published in the Government Gazette on 14<sup>th</sup> June 2019 as statutory instrument 134 of 2019. The rules provide the basic requirements for listing, delisting and suspension of securities listed on the ZSE. The Commission approved the ZSE's Exchange Traded Products (ETPs) Requirements and Market Making Rules. The ETP's and Market Making rules enable the ZSE to trade the exchange traded products and to register market makers. To make the ETPs attractive, the trading fees were reduced from the fees prescribed in SI.100/2010. A new levy structure for ETPs was approved by the Commission.

## Financial Securities Exchange (FINSEC) General Rules

FINSEC applied for approval of their general rules which include issuer admission rules, trading and settlement rules, membership, and business conduct rules. A breakaway review session was held in October 2019 and approval of the rules is expected in early 2020.

## Matters in Court: Noel Hayes and LHG Malta Holdings V SECZ HC 9959/18

The matter was heard on 31 July 2019 at the High Court. This is a case where Noel Hayes and LHG Malta Holdings made an application for a mandatory interdict compelling the Commission to release the investigation report including documents and evidence related to his complaint against FBC Holdings and Turnall Holdings Limited. The Applicant also sought an order for costs of the application on the scale of legal practitioner and client against SECZ.

The Court ruled that it was not able to decide whether a report was issued or not without hearing oral evidence. Consequently, the Court ordered that the matter be referred for trial on the issue of whether what was issued by SECZ is a report or not.

**Zimbabwe International Trade 2019**  
Young visitors to the SECZ stand attempt the Securities Knowledge Quiz





## Investor Education and Awareness

During the year, the Commission carried out various Investor Education and Awareness initiatives including the following:

### Weekly Column

During the year, the Commission published several educational articles in the Herald. The same articles were also posted on the website and the link was shared on social media platforms. Below is a table showing the topics which were covered throughout the year.

<p><b>January</b></p> <ul style="list-style-type: none"> <li>· Welcome back to Zimbabwe's Capital Market</li> <li>· Securities Market Trading</li> <li>· Utilitarian Traders</li> <li>· Informed Traders</li> </ul>	<p><b>February</b></p> <ul style="list-style-type: none"> <li>· Summary Highlights on Securities Trading</li> <li>· The Zero-sum Game</li> <li>· Adverse Selection</li> <li>· Market Efficiency</li> </ul>	<p><b>March</b></p> <ul style="list-style-type: none"> <li>· Investments and ESG issues</li> <li>· Socially Responsible Investing (SRI) vs ESG</li> <li>· Why should investors consider ESG Issues in Investing?</li> <li>· ESG: Summary Highlights</li> </ul>
<p><b>April</b></p> <ul style="list-style-type: none"> <li>· Approaches to Securities Investing</li> <li>· Value Investing</li> <li>· Growth Investing</li> <li>· Index Investing</li> <li>· Investment Strategies Summary</li> </ul>	<p><b>May</b></p> <ul style="list-style-type: none"> <li>· Primary Market</li> <li>· Benefits and Functions of the Primary Market</li> <li>· What is a Secondary Market?</li> <li>· Features of the Secondary Market</li> </ul>	<p><b>June</b></p> <ul style="list-style-type: none"> <li>· Securities Market Myths</li> <li>· Capital Market Survey 2019</li> <li>· Securities Market Myths: Summary Highlights</li> </ul>
<p><b>July</b></p> <ul style="list-style-type: none"> <li>· Fungible Securities in Depth</li> <li>· Dual Listing - Fungibility</li> <li>· Dual Listed Shares</li> <li>· Fungibility: Summary Highlights</li> <li>· Direct Market Access</li> </ul>	<p><b>August</b></p> <ul style="list-style-type: none"> <li>· Advantages of Direct Market Access</li> <li>· Direct Market Access: Summary Highlights</li> <li>· Market Anomalies</li> <li>· Pre-Open Trading</li> </ul>	<p><b>September</b></p> <ul style="list-style-type: none"> <li>· Post-Close Trading</li> <li>· AML/CFT Handbook</li> <li>· Prevention of Money Laundering and Terrorist Financing</li> <li>· AML/CFT Obligations</li> </ul>
<p><b>October</b></p> <ul style="list-style-type: none"> <li>· Futures Market</li> <li>· Financial Futures</li> <li>· Advantages of Futures Contracts</li> </ul>	<p><b>November</b></p> <ul style="list-style-type: none"> <li>· Investment Risk</li> <li>· Types of Investment Risk</li> <li>· Investment Risk Strategies</li> <li>· Brokerage Accounts</li> </ul>	<p><b>December</b></p> <ul style="list-style-type: none"> <li>· CIS Act Amendments</li> <li>· Venture Capital Funds</li> <li>· Venture Capital Financing</li> <li>· Exchange Traded Funds</li> <li>· 2019 Capital Market Highlights</li> </ul>

### Social media

During the year, the Commission's social media platforms were updated on a regular basis with the weekly column posted every Monday on the social media platforms. Pictures of events attended or hosted by Commission staff were also posted to encourage engagements and increase activity. SECZ continued to work on various templates and presentation formats for the social media platforms. Production began on

in-house mini videos for weekly inserts on the various platforms. Overall activity on all platforms improved as shown in the table below.

Platform	2018	2019	Change
Twitter (Followers)	1,639	2,629	60%
Facebook (Followers)	1,750	2,142	22%
LinkedIn (Connections)	21	391	1761%
<b>Total Engagements</b>	<b>3,410</b>	<b>5,162</b>	<b>51%</b>

## Joint Financial Sector Consumer Education Programmes

In collaboration with the Insurance & Pensions Commission (IPEC) and Reserve Bank of Zimbabwe (RBZ) the Commission undertook the following joint consumer education activities:

### Global Money Week (GMW)

An annual financial awareness campaign built to inspire children and young people to learn about money matters, livelihoods, and entrepreneurship.

### World Consumer Rights Day

An annual event which serves the purpose of raising global awareness about consumer rights and needs.

### Customer Service Week

An international celebration of the importance of customer service and of the people who serve and support customers daily. The event is celebrated annually during the first full week of October.

### World Investor Week (WIW)

A week-long, global campaign promoted by the International Organization of Securities Commissions (IOSCO) to raise awareness about the importance of investor education and protection and highlight the various initiatives of securities regulators in these two critical areas.

### Investor Handbook

Publication of an all-encompassing investments handbook for investor education was completed during the year. Printed and electronic versions of the book will be launched in 2020.

### Investment video

Post-production and final editing work complete. The video has been cut into three segments to reduce length and easier flighting on various platforms. It shall be launched together with the book.

### SECZ Website revamp

A web design company was contracted to design a website for the Commission which is expected to have features that will enable easier navigation and access for the user and offer greater interaction.



### Internship Innovation Challenge Winners

The Commission launched the challenge to formally recognize and reward innovative contribution by its students on attachment.



## Perception Survey

In 2019 SECZ conducted surveys to understand investor perceptions regarding: investor participation and protection, national savings culture for improved investments, market liquidity and stability and, growth and development of the market

The survey findings pointed to the need to promote securities education and raise awareness amongst the young and the middle age bracket, improve the enforcement of existing legislation and enhance the investment environment through consistently transparent policies.

To address the shortcomings highlighted by the survey the Commission is taking bold steps to:

- Revisit market costs (trading and investment) to ensure a sustainable and investment competitive environment both locally and beyond borders.
- Promote an investment culture in sync with the national financial inclusion strategy starting from a tender age while buttressing participation ratios from the 25 – 49 age group, a category within which findings show that most market participants fall.
- Keep abreast with best practice and the changing operating environment.
- Continuously lobby Government to create an environment that encourages development of new products that meet the needs of the investing public and a sustainable investment culture through sustainable disposable incomes.

## Corporate Actions

### Deferment of Publication of 31 December 2018 Audited Financial Statements

The Commission received a request from the ZSE in March 2019 regarding the issuance of a statement to the investing public granting a month-long grace period to 30 April 2019 for the publication of the December 2018 audited results. SECZ approved the request for informed investment decision-making purposes.

### Adverse opinions issued on Financial Statements

The Commission received notification from the ZSE in May 2019 pursuant to Rule 49 (2) of Statutory Instrument 100 of 2010. SECZ acknowledged the ZSE's decision to waive the requirement to convene special meetings regarding adverse audit opinions issued on financial statements for the year ended 31 December 2018. The adverse opinions are based on non-compliance with IAS 21 – 'Effects of Changes in Foreign Exchange Rates'.

SECZ approved the request however not on a blanket approach but on a case by case as and when an issuer submits financial statements with an adverse opinion based on non-compliance with IAS 21. This was meant to afford the ZSE time to fully comply with Rule 49 (2) of S.I 100 of 2010 wherein the application is supported by the relevant audit opinion for the respective issuers.

### Meikles Limited Disposal of Meikles Hotel

The issuer requested for the ZSE's approval to publish a circular regarding a proposal to dispose of its 100% stake in Meikles Hotel for a total consideration of USD20 million free of all loans, debt, and net current liabilities. The transaction was classified under category 1 in terms of section 9.7 of the ZSE listing rules for approval at a general meeting. Category 1 requires a detailed circular with adequate disclosures on the transaction for informed investment decision making.

### Hippo Valley Voluntary Suspension

Hippo applied for voluntary suspension after management decided not to publish its audited financial statements for the year ended 31 March 2019: pending completion of ongoing investigations at Tongaat Hulett Limited and the ultimate impact on the related disclaimer that was going to accompany the results. The Commission granted the ZSE approval pursuant to Section 64 (1a) of the Securities and Exchange Act Chapter 24:25

### Adverse opinions issued on Financial Statements

The Commission received notification from the ZSE in August 2019 pursuant to Rule 49 (2) of Statutory Instrument 100 of 2010. SECZ acknowledged the ZSE's decision to waive the requirement to convene special meetings regarding adverse audit opinions issued on financial statements for the year ended 31 December 2018. The adverse opinions are based on non-compliance with IAS 21 – 'Effects of Changes in Foreign Exchange Rates'.

In terms of Rule 49 (2) of S.I 100 of 2010, SECZ approved the request for a waiver on: Bindura Nickel Corporation Limited, Cassava Smartech Zimbabwe Limited, Delta Corporation Limited, Econet Wireless Limited, Meikles Limited, National Tyre Services Limited, Seed Co Limited, and Starafrika Corporation Limited.

### Financial reporting in hyperinflationary economies – IAS29

In terms of section 35 (4) of the Securities and Exchange (Stock Exchange Listings Requirements) Rules of 2019, issuers are required to publish their financials within stipulated timeframes after the end of each financial year. Following the suspension in publication of annual inflation data by the Government, listed companies awaited guidance from the Institute of Chartered Accountants on or before the 15th of December 2019. The guidance was necessitated by the requirement to comply with IAS29 – Financial reporting in hyperinflationary economies standards. The market needed to use uniform indexing information for comparability.

## Capital Markets Risk Assessment

The inherent risk level for the capital market sector as of 31 December 2019 was considered Moderate and Outlook is Increasing. The following key events and threats were noted as contributions to the risk level:

- The interbank foreign exchange rates depreciated by 10.37% from 15.1979 as at 30 September 2019 to 16.7734 as at 31 December 2019.
- Foreign exchange rate depreciation continues to pose liquidity risks to securities market infrastructures that must pay for system licenses and after sale services in foreign currency. The affected systems are Timon for the Chengetdzai Depository Company (CDC) and Automated Trading System (ATS) for the Zimbabwe Stock Exchange.
- Month on month inflation trended downwards during the quarter from 17.7% in September 2019 to 16.6% as of 31 December 2019.
- The inflationary environment poses a viability threat as costs of doing business continues to increase, and this subsequently affects profitability and returns on investments for both Securities Market Intermediaries (SMIs) and investors.
- Financial soundness indicators of securities dealing firms revealed that five (5) firms were inadequately capitalized whilst six (6) institutions reported negative earnings for the period under review.
- Assessments for securities investment management firms showed that four (4) firms were inadequately capitalized. However, all firms reported positive operating profits.
- Market volatility was estimated at 2.4077% using the Exponentially Weighted Moving Average (EWMA) methodology. The estimate was considered low, despite the increase from 2.2817% reported in previous quarter.
- Funds under Management (FUM) went up by 6.4% to \$15,050,708,208 from last quarter's FUM of \$14,145,001,050. The increase was mainly attributed to asset valuations following the conversion of United States Dollar (USD) denominated assets at interbank rates as at 31 December 2019. Similarly, Assets under Custody (AUC) increased by 6.35% for the same period.

## Market Monitoring & Investigations

Day-to-day surveillance activities were undertaken to uncover cases of suspected breaches for further investigation and enforcement of appropriate action. System interface challenges between the ATS and CSD were noted during the quarter under review. Such challenges resulted in balance mismatches between the CSD and the ATS resulting in overtrading of client accounts and duplication of trades on the ATS. The ZSE is currently engaging Infotech, its system vendor to address these challenges.

For the year ended 31 December 2019, eight (8) cases were investigated. Two (2) cases were finalised. Six (6) cases were pending with four (4) being carried forward from the previous quarter. One (1) of which, Fidelity Life Asset Management, is at enforcement stage while two (2) cases, Getbucks and FBC Securities are at reporting stage.

### Anti-Money Laundering and Combating Financing of Terrorism

In October 2018, the FATF provisionally placed Zimbabwe under the International Co-operation Review Group (ICRG) monitoring process. The decision was triggered by the FATF's adoption of a new basis for calculating countries' financial assets, using M2 data. The development resulted in the FATF determining that Zimbabwe's financial assets had exceeded USD 5 billion, thus meeting the Prioritisation threshold for ICRG monitoring. Following this decision, and in line

with FATF Procedures, Zimbabwe was initially placed under the Observation Period for one year. The Country's Post Observation Period Report was considered by the ICRG's Africa & Middle East Joint Group at its September 2019 meeting and subsequently submitted to the FATF October 2019 Plenary. At the October 2019 Plenary, following consideration of the Post Observation Period Report, Zimbabwe's ICRG status was confirmed, and the following Action Plan was adopted:

- i. Improve the Country's understanding of the key ML/TF risks; -conduct awareness raising and training to develop a common understanding among relevant stakeholders including supervisors, law enforcement agencies, and regulated entities of the main ML/TF risks.
- ii. Implement Risk Based Supervision (RBS) for Financial Institutions and Designated Non-Financial Businesses or Professions (DNFBPs);- develop AML/CFT RBS manual, issue AML/CFT sector guidance, conduct training on RBS, implement RBS on financial institutions, apply proportionate and dissuasive sanctions for serious breaches of AML/CFT requirements.
- iii. Transparency of legal persons; - collect and verify the accuracy of beneficial ownership information for legal persons and arrangements; have timely and up-to-date beneficial ownership information.
- iv. Fully implement UNSCR on targeted sanctions

As a result of being placed under ICRG Grey list, Zimbabwe is required to report both to FATF-ICRG and ESAAMLG.

## RISK ASSESSMENT

The Securities and Exchange Commission of Zimbabwe conducted an AML/CFT quarterly risk assessment for Asset Managers, Custodians, Securities Dealing Firms and Securities Exchanges using data from off-site fourth quarter submissions of AML/CFT quarterly returns. The overall residual ML/TF risk for the four subsectors remained medium at a risk score of 0.44. Figure 11 shows a summary of the results.

Securities Custodians remain top of the rankings with a score of 0.48 and a medium rating

having improved from 0.51 (medium) score for the last quarter. Asset managers ranked second with a 0.45 (medium) risk score while securities dealing firms ranked third at 0.42 (medium) contrary to the third quarter results where securities dealing firms had ranked second at 0.49 (medium) and Asset Managers, third at 0.40 (medium). This was attributable to improved disclosure by all categories of licensees. Securities Exchanges remain at the bottom of the rankings with a medium-low risk rating and a score of 0.38, a deterioration from a 0.33 risk score during the third quarter.

Figure 11: Risk Assessment Summary

Category	Rating	Score		Weighting	Overall
		Q3 2019	Q4 2019		
Asset Managers	Medium	0.40	0.45	0.26	0.12
Securities Dealing	Medium	0.49	0.42	0.24	0.10
Custodians	Medium	0.51	0.48	0.28	0.13
Securities Exchanges	Medium Low	0.33	0.38	0.22	0.08
<b>Overall</b>	<b>Medium</b>	<b>0.44</b>	<b>0.44</b>		

### Training for Market Intermediaries

The Commission conducted AML/CFT training for compliance officers of Securities Investment Advisory Companies on 3rd October 2019. The training emphasized the importance of having effective AML/CFT controls in place especially by applying the Risk Based Approach and reinforced the need for Investment Advisory Companies to effectively carryout their AML/CFT obligations.

The training recorded poor attendance with only 12 out of the 39 Licensed Investment Advisory Companies present. The Commission shall in future conduct compulsory training and

failure to attend shall attract a penalty in an endeavour to promote uniform standards and to foster peer learning.

### Penalties for Non-Compliance

The Commission started levying penalties for late submission of AML/CFT Quarterly returns after the issuance of DIRECTIVE NUMBER 01/2019, imposing a penalty of RTGS\$200.00 for each day a Securities Market Intermediary is in default. To date, the Commission has penalized 18 Institutions for late submission of returns.

# Financial Statements

## GENERAL INFORMATION

### REGISTERED OFFICE

20 York Avenue  
Newlands  
Harare

### CONTACT DETAILS

Ground Floor, Block C  
Smatsatsa Office Park  
Borrowdale Road  
Borrowdale  
Harare  
E-mail: [seczim@seczim.co.zw](mailto:seczim@seczim.co.zw)  
Website: [www.seczim.co.zw](http://www.seczim.co.zw)

### AUDITORS

#### **Deloitte & Touche**

West Block, Borrowdale Office Park  
Borrowdale Road  
Borrowdale  
Harare

### STATUTORY AUDITORS

#### **Office of the Auditor General**

5th Floor, Burroughs House  
Cnr. Fourth Street/ George Silundika Avenue  
Harare

### ATTORNEYS

#### **Scanlen & Holderness**

CABS Centre  
74 Jason Moyo Ave  
Harare

#### **Coghlan, Welsh & Guest**

Cecil House  
2 Central Ave  
Harare

#### **Mawere Sibanda**

10th Floor Chiedza House  
Corner 1st Street/ Kwame Nkrumah Ave  
Harare

### BANKERS

#### **Stanbic Bank Zimbabwe Limited**

Nelson Mandela Branch  
64 Nelson Mandela Ave  
Harare

#### **CBZ Bank Limited**

Kwame Nkrumah Branch  
60 Kwame Nkrumah Ave  
Harare

#### **NMB Bank Limited**

First Floor, Unity Court  
Cnr Kwame Nkrumah Ave/First Street  
Harare

#### **Nedbank Limited**

Jason Moyo Branch  
99 Jason Moyo Avenue  
Harare

#### **The People's Own Savings Bank**

Causeway Branch  
Cnr. 3rd St. & Central Ave  
Harare  
Harare

#### **Central African Building Society**

3 Northend Close  
Northridge Park  
Highlands

## COMMISSIONERS' REPORT for the year ended 31 December 2019

The Securities and Exchange Commission of Zimbabwe (“the Commission”) was established through enactment of The Securities Act (Chapter 24:25) (“the Act”). Section 3 of the Act provides for the establishment of the Securities and Exchange Commission, which is the regulatory body for the securities and capital markets in Zimbabwe. The first commissioners were appointed on 1 September 2008 for a four year term. The collection of levies and fees only commenced in May 2009. The Secretariat became fully operational in June 2009. Two Commissioners were appointed in 2013 to replace two that had been retired in 2012. In 2016 the Chairman’s two terms expired. In compliance with the Act, the Minister appointed a new Chairman and an additional four Commissioners in 2016.

The Commission’s sources of income are a levy on the value traded on the Zimbabwe Stock Exchange (ZSE), and Financial Securities Exchange (FINSEC) bourses, other levies, annual license fees and annual registration fees from licensees as set by statutory instrument 100 of 2010, statutory instrument 108 of 2014, statutory instrument 62 of 2017 and statutory instrument 106 of 2017. Results for the year ended 31 December 2019 are shown below:

	Year ended 31 December 2019 Inflation Adjusted ZWL	Year ended 31 December 2018 Inflation Adjusted ZWL	Year ended 31 December 2019 Historical ZWL	Year ended 31 December 2018 Inflation Adjusted ZWL
<b>Total comprehensive (deficit)/surplus for the year</b>	<b>(7 326 331)</b>	<b>2 933 474</b>	<b>4 857 663</b>	<b>1 010 879</b>

Section 4 of the Act enumerates the objectives, functions and powers of the Commission.

The Commissioners for 2019 were:

<b>Livingstone Takudzwa Gwata</b>	-	Chairman (Appointed 1 November 2016)
<b>Pearson Chitando</b>	-	Commissioner (Appointed 1 February 2012)
<b>Harrison Nkomo</b>	-	Commissioner (Appointed 1 February 2012)
<b>Godfrey Piason Manungo</b>	-	Commissioner (Appointed 1 July 2013)
<b>Ethel Rumbidzai Chitanda</b>	-	Commissioner (Appointed 1 November 2016)
<b>Florence Ziumbe</b>	-	Commissioner (Appointed 1 November 2016)
<b>Paradza Paradza</b>	-	Commissioner (Appointed 1 November 2016)
<b>Yona Banda</b>	-	Commissioner (Appointed 1 November 2016)

The Chief Executive Officer was **Tafadzwa Wilfred Chinamo**. According to section 14 (4) of the Securities Act (Chapter 24:25), the Chief Executive Officer is responsible for:

- Administering the Commission’s affairs, funds and property;
- Controlling and supervising the Commission’s staff; and
- Exercising any other function that may be conferred or imposed upon him by or under this Act.



COMMISSIONERS' REPORT  
for the year ended 31 December 2019 (continued)

The attendance register for the board and committee meetings held by the Commissioners during the year is shown in the table below:

Meetings	Board	Audit & Risk Committee	Legal & Licensing Committee	Human Resources Committee	Investor Education Committee
	Present	Present	Present	Present	Present
Gwata L.T.	6	n/a	n/a	4	n/a
Chitando P.	6	5	n/a	3	n/a
Nkomo H.	2	2	3	n/a	n/a
Manungo G. P	6	n/a	4	4	4
Chitanda E.R.	5	3	4	n/a	4
Banda Y.	6	5	4	n/a	4
Paradza P.	6	5	n/a	4	4
Ziumbe F.	6	n/a	4	4	4

## COMMISSIONERS' STATEMENT OF RESPONSIBILITY for the year ended 31 December 2019

The Commissioners are responsible for the preparation, integrity and objectivity of the financial statements, comprising the statement of financial position as at 31 December 2019, and the statement of comprehensive income, statement of changes in equity and statement of cashflows for the year ended 31 December 2019 and the notes to the financial statements, which include a summary of significant accounting policies and other explanatory notes, in accordance with International Financial Reporting Standards (IFRS) and legislative and regulatory requirements that fairly present the state of affairs of the Commission at the end of each financial period.

To enable the Commissioners to meet their responsibilities, management set standards and implement systems of internal control, accounting and information systems aimed at providing reasonable assurance that assets are safeguarded and the risk of error, fraud or loss is reduced in a cost effective manner. These controls, contained in established policies and procedures, include the proper delegation of responsibilities and authorities within a clearly defined framework, effective accounting procedures and adequate segregation of duties. To their best knowledge and belief, the Commissioners are satisfied that no material breakdown in the operation of the systems of internal control and procedures occurred during the year under review.

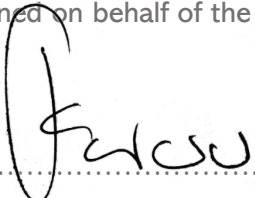
The Commissioners have reviewed the performance and financial position of the Commission to the date of signing of these financial statements and the prospects, based on the budgets, and are satisfied that the Commission is a going concern and therefore continue to adopt the going concern assumption in the preparation of these financial statements. However, the Commissioners believe that under the current economic environment a continuous assessment of the ability of the Commission 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 financial statements.

It is the responsibility of the independent auditors to report on the financial statements. Their report to commissioners is set out on pages 35-38.

### Approval of the annual financial statements

The Commissioners' report set out on pages 32 to 33, and the financial statements set out on pages 39 to 69 respectively were approved by the Commissioners' board on 30 June 2020.

Signed on behalf of the Commissioners

  
..... Chairman

  
..... Audit Committee Chairman

  
..... Secretary

Date: 30 June 2020

## INDEPENDENT AUDITOR'S REPORT

### TO THE COMMISSIONERS OF THE SECURITIES AND EXCHANGE COMMISSION OF ZIMBABWE

#### Adverse Opinion

We have audited the financial statements of the Securities and Exchange Commission of Zimbabwe (the Commission) set out on pages 9-39, which comprise the statement of financial position as at 31 December 2019, the statement of comprehensive income, statement of changes in equity, and 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, because of the significance of the matters discussed in the *Basis for Adverse Opinion* section of our report, the inflation adjusted financial statements do not present fairly, the inflation adjusted statement of financial position of Securities and Exchange Commission of Zimbabwe as at 31 December 2019, and its inflation adjusted financial performance and its inflation adjusted cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRS") and in the manner required by the Companies Act (Chapter 24:03).

#### Basis for Adverse Opinion

##### Impact of incorrect date of application of International Accounting Standard (IAS) 21- "The Effects of Changes in Foreign Exchange Rates"

On 20 February 2019, a currency called the RTGS Dollar was legislated through Statutory Instrument 33 of 2019 ("SI 33/19") with an effective date of 22 February 2019. SI 33/19 fixed the exchange rate between the RTGS Dollar and the USD at a rate of 1:1 for the period up to its effective date. The rate of 1:1 is consistent with the rate mandated by the RBZ at the time it issued the bond notes and coins into the basket of multi currencies. The below events were indicative of economic fundamentals that would require a reassessment of the functional currency as required by International Accounting Standard (IAS) 21- "The Effects of Changes in Foreign Exchange Rates":

- The Commission transacted using a combination of United States Dollars (USD), bond notes and bond coins. Acute shortage of USD cash and other foreign currencies in the country, resulted in an increase in the use of different modes of payment for goods and services, such as settlement through the Real Time Gross Settlement (RTGS) system and mobile money platforms. During the year there was a significant divergence in market perception of the relative values between the bond note, bond coin, mobile money platforms, RTGS FCA in comparison to the USD. Although RTGS was not legally recognised as currency up until 22 February 2019, the substance of the economic phenomenon, from an accounting perspective, suggested that it was currency.
- In October 2018, banks were instructed by the Reserve Bank of Zimbabwe ("RBZ") to separate and create distinct bank accounts for depositors, namely, RTGS FCA and Nostro FCA accounts. This resulted in a separation of transactions on the local RTGS payment platform from those relating to foreign currency (e.g. United States Dollar, British Pound, and South African Rand).

Prior to this date, RTGS FCA and Nostro FCA transactions and balances were co-mingled. As a result of this separation, there was an increased proliferation of multi-tier pricing practices by suppliers of goods and services, indicating a significant difference in purchasing power between the RTGS FCA and Nostro FCA balances, against a legislative framework mandating parity.

As noted above, the RTGS was not legally recognised as currency up until 22 February 2019, however in substance from an accounting perspective, the RTGS was suggested as a currency in October 2018.

The Commissioners had not re-assessed the change in functional currency for the year ended 31 December 2018. Because the Commission transacted using a combination of United States Dollars (USD), bond notes and coins, Real Time Gross Settlement (RTGS) system and mobile money platforms during the period from 1 October 2018 to 22 February 2019, the decision to change the functional currency only on 22 February 2019 in accordance with SI 33/19 resulted in material misstatement to the financial performance and cash flows of the Commission, as transactions denominated in USD were not appropriately translated during that period. An adverse opinion was issued on the financial statements for the year ended 31 December 2018.

If the assessment required by IAS 21 occurred in the correct period, the adjustments that would have been recognised in the 2018 and 2019 years would have been material. These misstatements are considered to be material and pervasive in the 2019 financial year.

A full list of partners and directors is available on request

Associate of Deloitte Africa, a Member of Deloitte Touche Tohmatsu Limited

## INDEPENDENT AUDITOR'S REPORT (continued)

### TO THE COMMISSIONERS OF THE SECURITIES AND EXCHANGE COMMISSION OF ZIMBABWE

#### Basis for Adverse Opinion (Continued)

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

#### Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the inflation adjusted financial statements of the current period. These matters were addressed in the context of our audit of the inflation adjusted financial statements as a whole and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in the *Basis for Adverse Opinion* section of our report, we have determined the matters described below to be the key audit matters to be communicated in our report.

Key Audit Matter	How the matter was addressed in the audit
<b>Revenue Recognition</b>	
<p>Income from securities levy has been a significant risk area as it is susceptible to fraud as provided by ISA 240. The entity's revenue from this levy significantly increased from \$2 995 702 in the prior year to \$6 684 756 in historical terms in the current year. The significant increase was owing to price increases due to inflation. The users of the financial statements are mainly interested in this amount as it is a material reflection of the performance of the entity and the capital markets in Zimbabwe.</p> <p>In light of the above circumstances, the recognition and accuracy of this income was considered a key audit matter. Disclosure on the income from securities levy has been included in note 2.1.</p>	<p>We performed various procedures, including the following:</p> <ul style="list-style-type: none"><li>• Testing the design and implementation of the entity's controls relating to the recognition of revenue;</li><li>• Assessing current revenue recognition policies for adherence to IFRS 15 - "Revenue from Contracts with Customers";</li><li>• Obtaining Automated Trading System (ATS) reports from the Zimbabwe Stock Exchange (ZSE) and computing the securities levy due to the Commission. The calculation was based on 0.16% of value of buys and sells on ZSE;</li><li>• Performing an analytical review on the relationship between the values traded on ZSE and securities levy recorded, on a month-by-month basis;</li><li>• Confirming the shares traded and the security levy revenue with the ZSE and Financial Securities Exchange (FINSEC).</li></ul>

#### Other Information

The Commissioners are responsible for the other information. The other information comprises the Commissioners' Report, Commissioners' Statement of Responsibility and the historical cost financial information. The other information does not include the inflation adjusted 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 an audit opinion or any form of assurance 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 inflation adjusted financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

## INDEPENDENT AUDITOR'S REPORT (continued)

### TO THE COMMISSIONERS OF THE SECURITIES AND EXCHANGE COMMISSION OF ZIMBABWE

#### Other information (continued)

If, based on the work we have performed on the other information obtained, we conclude that there is a material misstatement of this other information, we are required to report that fact. Given the nature of the matters set out in the Basis of Adverse Opinion section above, we have determined that the other information is materially misstated for the same reason. When we read the other information obtained after the date of the auditor's report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

#### Responsibilities of the Commissioners for the Financial Statements

The Commissioners are responsible for the preparation and fair presentation of the inflation adjusted financial statements in accordance with International Financial Reporting Standards (IFRS), the requirements of the Companies Act (Chapter 24:03) and for such internal control as the Commissioners determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

#### Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the 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 Commission's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Commissioners.
- Conclude on the appropriateness of the Commissioners' 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 Commission'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 Commission to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Commissioners 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.

A full list of partners and directors is available on request

Associate of Deloitte Africa, a Member of Deloitte Touche Tohmatsu Limited

**INDEPENDENT AUDITOR'S REPORT (continued)**

**TO THE COMMISSIONERS OF THE SECURITIES AND EXCHANGE COMMISSION OF ZIMBABWE**

**Auditor's Responsibilities for the Audit of the Financial Statements (continued)**

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

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

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



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**Deloitte & Touche**  
**Chartered Accountants (Zimbabwe) Per. Stelios Michael**  
**Partner**  
**(PAAB Practice Certificate Number 0443) Harare**  
**Zimbabwe**

**Date: 14 July 2020**



## STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2019

	Notes	2019 ZWL Inflation Adjusted	2018 ZWL Inflation Adjusted	2019 ZWL *Historical	2018 ZWL *Historical
<b>INCOME</b>					
Securities levy	2.1	21 419 550	23 735 201	6 684 756	2 995 702
Other levies	2.2	2 017 438	2 893 009	750 344	354 606
License fees	3	1 445 001	2 276 837	282 100	267 200
Increase in fair value of investments		726 848	-	223 531	-
Interest income	4	285 812	658 137	94 367	80 997
Foreign exchange gain		110 780	-	45 020	-
Other income	5	343 576	285 440	194 264	41 590
Fair value gain on investment property	10	3 070 744	-	5 025 000	-
		<b>29 419 749</b>	<b>29 848 624</b>	<b>13 299 382</b>	<b>3 740 095</b>
<b>EXPENDITURE</b>					
Staff costs	6	(14 247 673)	(15 536 474)	(5 342 399)	(1 975 670)
Commissioners' costs	7	(524 485)	(850 037)	(206 383)	(103 400)
Administration expenses	8	(5 255 725)	(3 662 622)	(2 249 114)	(496 691)
Impairment reversal/(losses) on financial assets		12 560	(219 455)	12 560	(25 485)
Decrease in fair value of investments		-	(266 124)	-	(36 841)
Lease finance charges		(282 990)	-	(138 902)	-
Net monetary loss		(15 320 247)	(5 663 224)	-	-
Depreciation	9.1	(1 127 521)	(780 775)	(517 482)	(101 362)
		<b>(36 746 081)</b>	<b>(26 978 711)</b>	<b>(8 441 720)</b>	<b>(2 739 449)</b>
<b>(Deficit)/Surplus for the year before tax</b>		<b>(7 326 332)</b>	<b>2 869 913</b>	<b>4 857 662</b>	<b>1 000 646</b>
Taxation	11	-	-	-	-
<b>(Deficit)/Surplus for the year</b>		<b>(7 326 332)</b>	<b>2 869 913</b>	<b>4 857 662</b>	<b>1 000 646</b>
<b>OTHER COMPREHENSIVE INCOME</b>		-	<b>63 561</b>	-	<b>10 233</b>
<b>Total comprehensive (deficit)/surplus for the year</b>		<b>(7 326 332)</b>	<b>2 933 474</b>	<b>4 857 662</b>	<b>1 010 879</b>

\*The historic amounts are shown as supplementary information. This information does not comply with International Financial Reporting Standards in that it has not taken account of the requirements of International Accounting Standard 29: Financial Reporting in Hyperinflationary Economies.

As a result, the auditors have not expressed an opinion on the historic financial information.

STATEMENT OF FINANCIAL POSITION  
as at 31 December 2019

		2019 ZWL Inflation Adjusted	2018 ZWL Inflation Adjusted	2019 ZWL *Historical	2018 ZWL *Historical
<b>ASSETS</b>					
<b>Non-current assets</b>					
Property and equipment	9.1	6 968 950	5 844 718	2 016 767	691 075
Investment property	10	5 400 000	2 329 256	5 400 000	375 000
Non-current portion of trade and other receivables	14	57 276	1 853 733	57 276	298 443
		<b>12 426 226</b>	<b>10 027 707</b>	<b>7 474 043</b>	<b>1 364 518</b>
<b>Current assets</b>					
Cash and cash equivalents	13	1 931 273	5 806 741	1 931 273	934 860
Financial assets at fair value through profit or loss	12	503 306	2 986 027	503 306	480 737
Financial assets at amortized cost	12	69 607	2 510 141	69 607	404 122
Trade and other receivables	14	1 105 612	1 326 954	1 105 612	214 094
Prepayments		238 406	219 546	238 406	35 346
		<b>3 848 204</b>	<b>12 849 409</b>	<b>3 848 204</b>	<b>2 069 159</b>
<b>TOTAL ASSETS</b>		<b>16 274 430</b>	<b>22 877 116</b>	<b>11 322 247</b>	<b>3 433 677</b>
<b>EQUITY AND LIABILITIES</b>					
<b>Equity</b>					
Accumulated fund		12 800 237	19 048 712	7 848 054	2 862 371
Revaluation reserve		-	1 077 857	-	128 021
		<b>12 800 237</b>	<b>20 126 569</b>	<b>7 848 054</b>	<b>2 990 392</b>
<b>Long term liabilities</b>					
Non-current lease liability	8.4	719 308	-	719 308	-
<b>Current liabilities</b>					
Amounts received in advance and other payables	15	1 943 282	2 750 547	1 943 282	443 285
Lease liability	8.4	811 603	-	811 603	-
		<b>2 754 885</b>	<b>2 750 547</b>	<b>2 754 885</b>	<b>443 285</b>
<b>TOTAL EQUITY FUND AND LIABILITIES</b>		<b>16 274 430</b>	<b>22 877 116</b>	<b>11 322 247</b>	<b>3 433 677</b>

\*The historic amounts are shown as supplementary information. This information does not comply with International Financial Reporting Standards in that it has not taken account of the requirements of International Accounting Standard 29: Financial Reporting in Hyperinflationary Economies.

As a result the auditors have not expressed an opinion on the historic financial information.

.....  
Chairman

.....  
Audit Committee Chairman

.....  
Secretary

Date: 30 June 2020

## STATEMENT OF CHANGES IN EQUITY for the year ended 31 December 2019

	Notes	Accumulated Funds ZWL Inflation Adjusted	Revaluation Surplus ZWL Inflation Adjusted	Total ZWL Inflation Adjusted
Balance at 1 January 2018		16 178 799	1 014 296	17 193 095
Revaluation		-	63 561	63 561
<b>Total comprehensive surplus for the year</b>				
Surplus for the year		2 869 913	-	2 869 913
Balance at 31 December 2018		19 048 712	1 077 857	20 126 569
Transfer of revaluation surplus to accumulated funds		1 077 857	(1 077 857)	-
<b>Total comprehensive surplus for the year</b>				
Deficit for the year		(7 326 332)	-	(7 326 332)
Balance at 31 December 2019		12 800 237	-	12 800 237

	Notes	Accumulated Funds ZWL *Historical	Revaluation Surplus ZWL *Historical	Total ZWL *Historical
Balance at 1 January 2018		1 861 725	117 788	1 979 513
Revaluation		-	10 233	10 233
<b>Total comprehensive surplus for the year</b>				
Surplus for the year		1 000 646	-	1 000 646
Balance at 31 December 2018		2 862 371	128 021	2 990 392
Balance at 31 December 2018		2 862 371	128 021	2 990 392
Transfer of revaluation surplus to accumulated funds		128 021	(128 021)	-
<b>Total comprehensive surplus for the year</b>				
Surplus for the year		4 857 662	-	4 857 662
Balance at 31 December 2019		7 848 054	-	7 848 054

\*The historic amounts are shown as supplementary information. This information does not comply with International Financial Reporting Standards in that it has not taken account of the requirements of International Accounting Standard 29: Financial Reporting in Hyperinflationary Economies.

As a result the auditors have not expressed an opinion on the historic financial information.

STATEMENT OF CASHFLOWS  
for the year ended 31 December 2019

	Notes	2019 ZWL Inflation Adjusted	2018 ZWL Inflation Adjusted	2019 ZWL *Historical	2018 ZWL *Historical
<b>Cash flows from operating activities</b>					
<b>(Deficit)/Surplus for the year before tax</b>		<b>(7 326 332)</b>	<b>2 869 913</b>	<b>4 857 663</b>	<b>1 000 646</b>
<u>Adjustments for:</u>					
Effects of changes in monetary value		245 924	663 507	-	-
Depreciation	9.1	1 127 521	780 775	517 482	101 362
Loss/(Profit) on disposal of non-current assets		5 968	(174 741)	1 064	(28 133)
Lease finance charges		282 990	-	138 902	-
Interest income		(285 812)	(658 137)	(94 367)	(80 997)
Fair value gains on investment property		(3 070 744)	-	(5 025 000)	
<b>Operating cash flows before changes in Working capital</b>		<b>(9 020 485)</b>	<b>3 481 317</b>	<b>395 744</b>	<b>992 878</b>
<u>Changes in working capital:</u>					
Decrease/ (Increase) in trade and other receivables, net of impairment		2 017 799	3 282 705	(650 351)	213 875
(Increase) in prepayments		(18 860)	(147 334)	(203 060)	(26 966)
(Decrease)/Increase in accounts payable		(807 265)	(137 575)	1 499 997	107 632
<b>Net cash (utilized in)/generated from operating activities</b>		<b>(7 828 811)</b>	<b>6 479 113</b>	<b>1 042 330</b>	<b>1 287 419</b>
<b>Cash flows from investing activities</b>					
Interest received		285 812	658 137	94 367	80 997
Decrease/(Increase) in financial assets		4 923 257	(5 355 042)	311 946	(884 859)
Lease finance charges		(282 990)	-	(138 902)	-
Proceeds from disposal of non-current assets		-	206 547	-	33 260
Payments for property and equipment	9.1	(542 397)	(6 256 879)	(125 400)	(751 930)
<b>Net cash generated from/(utilized in) investing activities</b>		<b>4 383 682</b>	<b>(10 747 237)</b>	<b>142 011</b>	<b>(1 522 532)</b>
<b>Net cash (utilized in) financing activities</b>					
Lease financing liability paid		(430 339)	-	(187 928)	-
<b>Net (decrease)/increase in cash and cash equivalents</b>		<b>(3 875 468)</b>	<b>(4 268 124)</b>	<b>996 413</b>	<b>(235 113)</b>
Cash and cash equivalents at the beginning of the year		5 806 741	10 074 865	934 860	1 169 973
<b>Cash and cash equivalents at the end of the year</b>	13	<b>1 931 273</b>	<b>5 806 741</b>	<b>1 931 273</b>	<b>934 860</b>

\*The historic amounts are shown as supplementary information. This information does not comply with International Financial Reporting Standards in that it has not taken account of the requirements of International Accounting Standard 29: Financial Reporting in Hyperinflationary Economies. As a result the auditors have not expressed an opinion on the historic financial information.

# SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

## for the year ended 31 December 2019

### GENERAL INFORMATION

The Securities and Exchange Commission of Zimbabwe (“the Commission”) is a body corporate established by the Securities Act (Chapter 24:25) (“the Act”) and domiciled in Zimbabwe. Its objectives, as provided for in Section 4(1) of the Act are:

- To provide high levels of investor protection;
- To reduce systemic risk, that is to say, a risk that failure on the part of one or more registered securities exchanges or licensed persons to meet their obligations may result in other registered securities exchanges or licensed persons being unable to meet their respective obligations;
- To promote market integrity and investor confidence;
- To prevent market manipulation, fraud and financial crime;
- To ensure transparency in capital and securities markets; and
- To promote investor education.

### BASIS OF PREPARATION

#### Statement of compliance

The financial statements of the Commission have been prepared in accordance with International Financial Reporting Standards except for impact of IAS 21 (The Effects of Changes in Foreign Exchange Rates). The Government promulgated Statutory Instrument (“SI”) 33 on 22 February 2019, giving legal effect to the reintroduction of the Zimbabwe Dollar (ZWL) as the legal tender and prescribed for accounting and other purposes, certain assets and liabilities on the effective date would be deemed to be in Zimbabwean Dollars at the rate which was at par with the United States Dollar (USD). Guidance issued by the Public Accountants and Auditors Board (PAAB) notes the requirements of SI 33 were contrary of the provisions of IAS 21. The Commissioners have always ensured compliance with IFRS but were unable to do so due to the conflict between IAS 21 and local statutory instruments. In respect of the current financial year and as a result of the absence of an observable foreign exchange market prior to 22 February 2019, the Commission continues to be unable to meet the requirements of IAS 21.

#### Functional currency

The financial statements are presented in Zimbabwe Dollars (ZWL), which is the Commission’s functional and presentation currency. Functional currency is the currency of the primary economic environment in which the Commission operates. In 2016 the monetary authorities introduced the Bond note which was at par with the US\$. On the 1st of October 2018 an Exchange Control Directive RT120/2018 was promulgated directing all banks to separate domestic and Nostro currency accounts. On the 22nd of February 2019 Statutory Instrument 32 of 2019 was issued as an amendment to the Reserve Bank of Zimbabwe Act and it introduced a new currency called the RTGS Dollar. Another Exchange Control Directive RU 28 of 2019 was issued at the same time and it introduced an interbank market for the RTGS Dollar and the USD as well as other currencies in the multi-currency regime. On 22 February 2019, Statutory Instrument 33 of 2019 fixed the exchange rate between the USD and RTGS Dollar at par up to its effective date. The requirement to comply with Statutory Instrument 33 (SI 33) of 2019 created inconsistencies with IAS 21 as well as the principles embedded in the IFRS Conceptual Framework. The Commission followed the statutory instruments and changed the functional currency on the 22nd of February 2019 from USD to ZWL.

#### Accounting convention

In October 2019 the Public Accountants and Auditors Board (PAAB) which is the governing body for financial reporting in Zimbabwe announced that the economy was in hyperinflation since 1 July 2019. The Public Accountants and Auditors Board through its pronouncement 01/2019 provided guidance to all entities that report based on the International Financial Reporting Standards (IFRS) on the application of Financial Reporting in Hyperinflationary Economies Standard (IAS 29) in Zimbabwe. The pronouncement requires that companies which prepare and present financial statements for financial periods ended on or after 1 July 2019 apply the requirements of IAS 29 “Financial Reporting in Hyperinflationary Economies.” The Commission therefore applied IAS 29 in these financial statements.

The financial statements are prepared in terms of the historical cost basis adjusted for hyper-inflation, except for investment property which is measured at fair value.



## SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### for the year ended 31 December 2019

#### **Inflation Adjustment Factors**

The Public Accountants and Auditors Board advised that the country had met all conditions of a hyperinflationary economy effective from 1 July 2019. The comparative figures have been adjusted to take this into account. The Zimbabwe Consumer Price Indices (CPIs) presented below, as compiled by the Zimbabwe Central Statistical Office (CSO), and the conversion factors derived therefrom, have been applied in adjusting the historical financial statement figures as required per IAS 29 (Financial Reporting in Hyperinflationary Economies).

<b>Dates</b>	<b>Indices</b>
31 December 2017	62.5
31 December 2018	88.8
31 December 2019	551.6

#### **ADOPTION OF NEW AND REVISED FINANCIAL REPORTING STANDARDS**

At the date of authorisation of the financial statements of the Commission for the year ended 31 December 2019, the Commission had not early adopted any new IFRS in issue and not yet effective. The following IFRSs were in issue and effective for the year ended 31 December 2019, or subsequently:

##### **Effective for the financial year commencing 1 January 2019**

###### IFRS 16 Leases; had a material impact on these financial statements (refer to note 8.2, 8.3 and 8.4)

IFRS 16 introduces new or amended requirements with respect to lease accounting. It introduces significant changes to lessee accounting by removing the distinction between operating and finance lease and requiring the recognition of a right-of-use asset and a lease liability at commencement for all leases, except for short-term leases and leases of low value assets. In contrast to lessee accounting, the requirements for lessor accounting have remained largely unchanged. The adoption of IFRS 16 had a material impact on the Commission's financial statements.

###### Prepayment Features with Negative Compensation (Amendments to IFRS 9)

The amendments to IFRS 9 clarify that for the purpose of assessing whether a prepayment feature meets the 'solely payments of principal and interest' (SPPI) condition, the party exercising the option may pay or receive reasonable compensation for the prepayment irrespective of the reason for prepayment. In other words, financial assets with prepayment features with negative compensation do not automatically fail SPPI. The application of these amendments has had no effect on the Commission's financial statements as there were no such transactions.

###### Amendments to IAS 19 Employee Benefits Plan Amendment, Curtailment or Settlement

The Commission has adopted the amendments of IAS 19 for the first time in the current year. The amendments clarify that the past service cost (or of the gain or loss on settlement) is calculated by measuring the defined benefit liability (asset) using updated assumptions and comparing benefits offered and plan assets before and after the plan amendment (or curtailment or settlement) but ignoring the effect of the asset ceiling (that may arise when the defined benefit plan is in a surplus position). IAS 19 is now clear that the change in the effect of the asset ceiling that may result from the plan amendment (or curtailment or settlement) is determined in a second step and is recognised in the normal manner in other comprehensive income. The application of these amendments has had no effect on the Commission's financial statements as there were no such transactions.

###### Annual Improvements to IFRS Standards 2014-2016 Cycle

The Commission has adopted the amendments included in the Annual Improvements to IFRS Standards 2015–2017 Cycle for the first time in the current year. The Annual Improvements include amendments to four Standards:

###### *IAS 12 Income Taxes*

The amendments clarify that the Commission should recognise the income tax consequences of dividends in profit or loss, other comprehensive income or equity according to where the Commission originally recognised the transactions that generated the distributable profits. This is the case irrespective of whether different tax rates apply to distributed and undistributed profits. The application of these amendments has had no impact on the Commission's financial statements as the Commission is exempt from tax.

###### *IAS 23 Borrowing Costs*

The amendments clarify that if any specific borrowing remains outstanding after the related asset is ready for its intended use or sale, that borrowing becomes part of the funds that an entity borrows generally when calculating the capitalisation rate on general borrowings.

## SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES for the year ended 31 December 2019

### ADOPTION OF NEW AND REVISED FINANCIAL REPORTING STANDARDS (CONTINUED)

#### *IFRS 3 Business Combinations*

The amendments clarify that when the Commission obtains control of a business that is a joint operation, the Commission applies the requirements for a business combination achieved in stages, including remeasuring its previously held interest (PHI) in the joint operation at fair value. The PHI to be remeasured includes any unrecognised assets, liabilities and goodwill relating to the joint operation.

#### *IFRS 11 Joint Arrangements*

The amendments clarify that when a party that participates in, but does not have joint control of, a joint operation that is a business obtains joint control of such a joint operation, the Commission does not remeasure its PHI in the joint operation.

#### **New and revised standards in issue but not yet effective**

- Updated references to the Conceptual Framework amendments are effective for annual periods beginning on or after 1 January 2020.
- 'Definition of Material (Amendments to IAS 1 and IAS 8)' to clarify the definition of 'material' and to align the definition used in the Conceptual Framework and the standards themselves. The amendments are effective for annual reporting periods beginning on or after 1 January 2020.
- IFRS 17 'Insurance Contracts' was issued by the IASB on 18 May 2017 and is effective for periods beginning on or after 1 January 2021.
- IAS 1 amendments on 'Classification of Liabilities as Current or Non-Current'
- Effective date of IBOR reform Phase 1 amendments On 26 September 2019, the IASB issued 'Interest Rate Benchmark Reform (Amendments to IFRS 9, IAS 39 and IFRS 7)' as a first reaction to the potential effects the IBOR reform could have on financial reporting. The amendments are effective for annual reporting periods beginning on or after 1 January 2020.
- IFRS 3 amendments to 'Definition of a Business aimed at resolving the difficulties that arise when an entity determines whether it has acquired a business or a group of assets. The amendments are effective for business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 January 2020.
- IFRIC 22 Foreign Currency Transactions and Advance Consideration; Amendments to IFRS 10 and IAS 28 Sale or Contribution of Assets between an Investor and Its Associate or Joint Venture
- Amendments to IAS 12 Recognition of Deferred Tax Assets for Unrealised Losses  
Effective for annual periods beginning on or after 1 January 2019  
Effective for annual periods beginning on or after 1 January 2021

The future application of these standards is not expected to have a material effect on the Commission's financial statements.

## SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES for the year ended 31 December 2019

### PROPERTY AND EQUIPMENT

#### Recognition and measurement

Items of property and equipment including land and buildings, are measured at cost less accumulated depreciation and impairment losses.

Costs include expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the asset to a working condition for its intended use, the cost of dismantling the asset and removing items and restoring the sites on which they are located.

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

#### Subsequent costs

The cost of replacing part of an item of property or equipment is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Commission and its cost can be measured reliably. The carrying amount of those parts that are replaced is derecognized. The cost of the day-to-day servicing of property and equipment is recognized in the income statement as incurred.

#### Impairment of property and equipment

The carrying amounts of the Commission's items of property, equipment, furniture and fittings are reviewed at each reporting period end to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. An impairment loss is recognized whenever the carrying amount of an asset exceeds its recoverable amount.

#### Assessment of useful lives and residual values

Property and equipment excluding land are depreciated on a straight line basis over their estimated useful lives. On acquisition, the estimated useful lives are as follows:

Motor Vehicles	-	5 Years
Furniture and Equipment	-	5 Years
Computers and Computer equipment	-	2.5 Years
Buildings	-	40 Years
Lease	-	3 Years

The asset's residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

#### Depreciation

Computer software costs recognized as assets are amortised on the straight-line basis at rates appropriate to the expected useful lives.

Depreciation is recognized in the statement of comprehensive income on a straight-line basis over the estimated useful lives of each part of an item of plant and equipment, since this most closely reflects the expected consumption of the future economic benefits embodied in the asset.

#### Lease

A lease is recognized when an agreement is reached to convey the right of use of an asset to or from the Commission in return for a payment or a series of payments. A lease is derecognized upon cancellation or expiry of the lease agreement. IFRS 16 Leases replaced IAS 17 for reporting periods after 1 January 2019 with an option for early adoption. The Commission opted not to early adopt IFRS 16. The contract for use of Ground Floor right wing and 2nd floor office space at Smatsatsa Office Park between the Commission and Matay Investments confers a right of use of that space to the Commission for three years in exchange for a consideration. The right of use is recognised as a non-current asset of the Commission while it is depreciated over the lease period. The Statement of Financial position presents a lease liability on the non-current liabilities and current liabilities section. Depreciation expense and interest expense for the right of use asset is expensed in the Statement of Profit or loss and other Comprehensive income.

## SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES for the year ended 31 December 2019

### INVESTMENT PROPERTY

Investment property is measured using the fair value model. Under this model the property is fair valued at the end of each reporting period or earlier. 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. Gains or losses on fair valuation of the investment property are recognised directly in the profit and loss in that reporting period. Transfers to or from investment property are done as and when there is a change of use.

### CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise of cash on hand, demand deposits held with banks and short term money market investments.

### REVENUE

Revenue is recognized on an accruals basis. Securities levy is determined as 0.16% of the value traded on the Zimbabwe Stock Exchange and Financial Securities Exchange bourses by each stockbroker. Investment advisor levy is 0.35% of the investment advisor's gross income. Corporate action levy is 0.1% of the value of new shares listed by an issuer. Investment manager's levy is 0.5% of the investment managers' gross income. Central Securities Depository (CSD) levy is 0.5% of the CSD's gross income, securities custody levy is 0.5% of the custodian's gross income and securities transfer levy is 0.35% of the transfer secretary's gross income. Asset manager levy is 0.5% of the gross income of asset managers. License fees for stockbrokers, dealers and stock broking firms are set according to Statutory Instrument 100 of 2010 and Statutory Instrument 108 of 2014, statutory instrument 62 of 2017 and statutory instrument 106 of 2017.

License renewal fees are due on the 1st of January of each year and are recognized as revenue in the year of licensing.

Application fees are recognized when the applicant has been issued with a license. Unsuccessful applicants are refunded 75% of the application fees while 25% is withheld as administration fees. The amount withheld is classified in other income on the statement of comprehensive income. Late payment penalty fees are classified under other income.

### GRANTS

Government grants are recognized in the statement of comprehensive income on a systematic basis over the periods in which the Commission recognizes as expenses the related costs for which the grants are intended to compensate.

### EMPLOYEE BENEFITS

Employee benefits are the consideration given by the Commission in exchange for services rendered by employees. In summary such benefits are:

#### Short term benefits

Benefits earned by employees under normal employment terms including salaries, wages, bonuses and leave pay. These are expensed as they are incurred and accordingly, provisions are made for unpaid bonuses and leave pay.

#### Post-employment benefits

As required by legislation, all employees are members of the National Social Security Scheme to which both the employees and the Commission contribute. The National Social Security Scheme is a defined contribution fund. All employees are also members of the Commission's defined contribution pension scheme with Old Mutual. The employer's obligations for contributions to defined contribution pension plans are recognised as an expense in the statement of comprehensive income as they are incurred.

### FINANCIAL INSTRUMENTS

The IASB developed the IFRS 9 Expected Credit Loss (ECL) impairment model with the objective of transitioning from an incurred loss approach to an expected loss model which requires entities to recognize impairment losses in advance of an exposure having objective evidence of impairment. The Commission's ECLs are measured through a loss allowance at an amount equal to:

- 12-month ECL, i.e. lifetime ECL that result from those default events on the financial instrument that are possible within 12 months after the reporting date, (referred to as Stage 1); or
- Full lifetime ECL, i.e. lifetime ECL that result from all possible default events over the life of the financial instrument, (referred to as Stage 2 and Stage 3)

## SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES for the year ended 31 December 2019

### FINANCIAL INSTRUMENTS (CONTINUED)

Exposures are generally considered to have a low credit risk where there is a low risk of default, the exposure has a strong capacity to meet its contractual cash flow obligations and adverse changes in economic and business conditions are unlikely to reduce the exposure's ability to fulfil its contractual obligations.

The Commission recognises ECLs on the following financial instruments: trade debtors, staff loans and savings bonds. The assessment of significant increase in credit risk for the Commission's trade debtors, staff loans and savings bonds exposures is based on changes in prospects of collecting contractual cashflows due from them. The determination of significant increase in probability of default includes consideration of all reasonable and supportable forward-looking information available without undue cost or effort. The forward-looking information is based on the Commission's economic expectations, industry and sub-sector-specific expectations, as well as expert management judgement and is hence expected to increase the volatility of impairment provisions as a result of continuous changes in future expectations.

#### **Fair value measurement considerations**

The fair values of quoted financial assets are based on quoted bid prices. If the market for a financial asset is not active, the Commission establishes fair value using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis and option pricing models. Based on forward looking information which includes the economic outlook, sector analysis and future prospects, the Commission makes assumptions and calculates the probability of default at the reporting date. These judgements result in an expected credit loss for each financial asset which is impaired through the statement of profit or loss and other comprehensive income.

#### **At amortized cost**

Financial assets classified under amortized cost are measured at their initial acquisition amount less principal repayment plus/minus amortization of discount and less impairment losses. Financial assets measured at amortized cost classification meet the following criteria: The Commission's business model is to hold those financial assets in order to collect the contractual cash flows rather than to sell the asset to realize any capital gains. The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

#### **Trade and other receivables**

Trade and other receivables are measured at amortised cost using the effective interest rate method. A provision for expected credit loss on trade receivables is established and measured when the debtor is recognized. Factors considered in calculating the expected credit loss include forward looking information regarding financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganization and all future indicators affecting the debtor's probability of default. Expected credit losses are expensed in the statement of profit or loss. Subsequent recoveries of amounts previously impaired are credited against the trade receivables expected credit loss impairment provision.

#### **Cash and cash equivalents**

Cash and cash equivalents comprise cash on hand, deposits held on call with banks, and investments in money market instruments. Cash and cash equivalents are measured at fair value, with any impairment or appreciation in value of foreign currency denominated balances arising from changes in exchange rates, being written off or credited against the exchange gains and losses account in profit or loss. In the statement of financial position, bank overdrafts are shown under current liabilities.

#### **Loans, borrowings and trade and other payables**

These financial liabilities are measured at amortised cost using the effective interest rate method.

#### **Offsetting**

If a legally enforceable right exists to set-off recognised amounts of financial assets and liabilities, which are in determinable monetary amounts and the Commission intends to settle on a net basis, the relevant financial assets and liabilities are offset.

### **CAPITAL EXPOSURE**

The Commission is not subjected to any externally imposed capital requirements.

### **RELATED PARTIES**

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions. The Commission has related party relationships with its key management, commissioners, the Ministry of Finance, Bindura University of Science and Technology and the Investor Protection Fund.

## SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES for the year ended 31 December 2019

### ACCOUNTING ESTIMATES AND JUDGEMENTS

#### **Use of estimates and judgements**

The preparation of financial statements require management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an on-going basis. Revision to accounting estimates are recognized in the period in which the estimate is revised and in any future periods affected. Management exercised its judgment in determining the functional currency, appropriateness of the expected credit loss and the useful lives of property and equipment.

#### **Measurement of fair values**

A number of the Commission's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities. When measuring the fair value of an asset or liability, the Commission uses market observable data as far as possible. Fair values are categorized into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

- Level 1: Quoted prices (unadjusted) in active markets for identical assets and liabilities.
- Level 2: Inputs other than quoted prices included in level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices)
- Level 3: Inputs for the asset or liability that are not based on observable market data (unobservable inputs)

If inputs used to measure the fair value of an asset or a liability might be categorised in different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

The Commission recognises transfers between levels of the fair value hierarchy at the end of each reporting period during which the change occurred.



## NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2019

### 1. INCORPORATION AND ACTIVITIES

The Securities and Exchange Commission of Zimbabwe (“the Commission”) was enacted through The Securities Act (Chapter 24:25). The Commission started operating on 1 September 2008 when the first Commissioners were appointed. It is an independent regulatory body operating under the Ministry of Finance and Economic Development. This is the twelfth year of operation for the Commission.

### 2. LEVIES

The levies income is derived from securities levy, securities exchange levy, corporate action levy, investment advisor levy, investment manager levy, custody levy, central securities depository levy and transfer secretary levy.

#### 2.1. Securities Levy

Securities levy was 0.16% of the value traded on the Zimbabwe Stock Exchange (ZSE) and FINSEC Bourse. This is collected on a weekly basis. Securities Exchange levy due from ZSE and FINSEC were 0.5% of gross income. These are collected on a monthly basis.

	2019 ZWL Inflation Adjusted	2018 ZWL Inflation Adjusted	2019 ZWL Historical	2018 ZWL Historical
<b>Securities levy</b>	<b>21 419 550</b>	<b>23 735 201</b>	<b>6 684 756</b>	<b>2 995 702</b>

#### 2.2 Other Levies

Corporate action levy is 0.1% of the value of new shares listed on the Zimbabwe Stock Exchange as and when they are issued. Levies due on a monthly basis are, Investment Advisor levy at 0.35% of the gross income of investment advisors. Investment Manager’s levy at 0.5% of the Investment Managers’ gross income. Central Securities Depository (CSD) levy at 0.5% of the CSD’s gross income, securities custody levy at 0.5% of the custodians’ gross income and the securities transfer levy at 0.35% of the transfer secretaries’ gross income. Asset manager levy is 0.5% of the gross income of asset managers.

	2019 ZWL Inflation Adjusted	2018 ZWL Inflation Adjusted	2019 ZWL Historical	2018 ZWL Historical
Corporate action levy	34 015	597 167	11 963	69 348
Investment advisor levy	251 543	205 713	103 488	25 262
Investment manager levy	1 313 464	1 537 610	472 702	190 387
Central Securities Depository levy	67 922	344 829	21 628	10 007
Securities custodian levy	276 355	79 314	111 025	43 173
Securities transfer secretary levy	74 139	128 376	29 538	16 429
	<b>2 017 438</b>	<b>2 893 009</b>	<b>750 344</b>	<b>354 606</b>

NOTES TO THE FINANCIAL STATEMENTS  
for the year ended 31 December 2019

	2019 ZWL Inflation Adjusted	2018 ZWL Inflation Adjusted	2019 ZWL Historical	2018 ZWL Historical
<b>3. LICENCE FEES</b>				
Custodians	36 525	51 667	7 000	6 000
Dealing Firms	297 004	525 280	59 000	61 000
Investment advisor	184 120	374 483	34 000	46 000
Stock brokers	368 726	591 738	66 000	69 000
Stock exchange	28 044	43 056	5 000	5 000
Transfer secretaries	25 240	38 750	4 500	4 500
Investment managers	352 300	413 335	78 000	48 000
Securities depository	28 044	43 056	5 000	5 000
Collective investment schemes	102 563	161 028	19 600	18 700
FINSEC Alternative Trading Bourse	22 435	34 444	4 000	4 000
	<b>1 445 001</b>	<b>2 276 837</b>	<b>282 100</b>	<b>267 200</b>
<b>4. INTEREST INCOME</b>				
Interest on short term investments	186 981	387 370	61 684	48 027
Interest on staff loans	98 831	270 767	32 683	32 970
Interest on late payments	-	-	-	-
	<b>285 812</b>	<b>658 137</b>	<b>94 367</b>	<b>80 997</b>
<b>5. OTHER INCOME</b>				
Tender fees	1 551	5 855	556	735
Training sponsorship	-	73 353	-	8 518
Late payment charge	94 682	-	78 916	-
Rent received	70 169	-	24 244	-
Sundry	169 160	21 019	88 948	2 788
Profit on disposal of non-current assets	-	174 741	-	28 133
Bad debts recovered	8 014	10 472	1 600	1 416
	<b>343 576</b>	<b>285 440</b>	<b>194 264</b>	<b>41 590</b>
<b>6. STAFF COSTS</b>				
Salaries	11 845 501	10 419 290	4 309 656	1 280 487
Bonuses	-	2 721 085	-	408 346
Leave pay	379 217	499 132	200 098	33 994
Medical aid	446 776	38 771	175 826	61 591
Other staff costs	838 489	684 461	400 717	74 964
Pension	482 982	273 659	168 592	93 311
Staff training	254 708	763 051	87 510	17 347
Staff recruitment	-	137 025	-	5 630
	<b>14 247 673</b>	<b>15 536 474</b>	<b>5 342 399</b>	<b>1 975 670</b>
<b>7. COMMISSIONERS' COSTS</b>				
Retainer cost	333 811	551 600	117 430	66 400
Sitting fees	190 674	298 437	88 953	37 000
	<b>524 485</b>	<b>850 037</b>	<b>206 383</b>	<b>103 400</b>

NOTES TO THE FINANCIAL STATEMENTS  
for the year ended 31 December 2019

7.1.

<b>2019</b>			
<b>Inflation Adjusted</b>	<b>Retainer</b>	<b>Sitting Fees</b>	<b>Total</b>
L. T Gwata	54 539	26 366	80 905
P. Chitando	39 896	23 087	62 983
H. Nkomo	39 896	9 582	49 478
G.P. Manungo	39 896	27 781	67 677
E. Chitanda	39 896	22 508	62 404
Y. Banda	39 896	27 009	66 905
P. Paradza	39 896	27 202	67 098
F. Ziumbe	39 896	27 139	67 035
	<b>333 811</b>	<b>190 674</b>	<b>524 485</b>

<b>2018</b>			
<b>Inflation Adjusted</b>	<b>Retainer</b>	<b>Sitting Fees</b>	<b>Total</b>
L. T Gwata	86 394	32 014	118 408
P. Chitando	66 458	36 010	102 468
H. Nkomo	66 458	25 114	91 572
G.P. Manungo	66 458	40 991	107 449
E.R Chitanda	66 458	43 929	110 387
Y. Banda	66 458	43 209	109 667
P. Paradza	66 458	46 513	112 971
F. Ziumbe	66 458	30 657	97 115
	<b>551 600</b>	<b>298 437</b>	<b>850 037</b>

<b>2019</b>			
<b>Historical</b>	<b>Retainer</b>	<b>Sitting Fees</b>	<b>Total</b>
L. T Gwata	19 738	12 303	32 041
P. Chitando	13 956	10 770	24 726
H. Nkomo	13 956	4 470	18 426
G.P. Manungo	13 956	12 960	26 916
E. Chitanda	13 956	10 500	24 456
Y. Banda	13 956	12 600	26 556
P. Paradza	13 956	12 690	26 646
F. Ziumbe	13 956	12 660	26 616
	<b>117 430</b>	<b>88 953</b>	<b>206 383</b>

<b>2018</b>			
<b>Historical</b>	<b>Retainer</b>	<b>Sitting Fees</b>	<b>Total</b>
L. T Gwata	10 400	4 000	14 400
P. Chitando	8 000	4 500	12 500
H. Nkomo	8 000	2 700	10 700
G.P. Manungo	8 000	5 100	13 100
E.R Chitanda	8 000	5 400	13 400
Y. Banda	8 000	5 400	13 400
P. Paradza	8 000	5 700	13 700
F. Ziumbe	8 000	4 200	12 200
	<b>66 400</b>	<b>37 000</b>	<b>103 400</b>

NOTES TO THE FINANCIAL STATEMENTS  
for the year ended 31 December 2019

	2019 ZWL Inflation Adjusted	2018 ZWL Inflation Adjusted	2019 ZWL Historical	2018 ZWL Historical
<b>8. ADMINISTRATION EXPENSES</b>				
Advertising and promotions	407 508	248 666	146 808	38 026
External audit fees	295 000	186 340	295 000	30 000
Internal audit fees	149 446	94 396	65 086	7 976
Consultancy	43 979	414 242	10 620	61 568
Donations and gifts (Note 8.1)	3 827	1 701	3 827	230
Legal fees	108 312	193 861	48 436	24 266
Loss on disposal	5 968	-	1 064	-
Other operational expenses	1 406 946	1 100 506	670 529	141 704
Repairs and maintenance	576 744	269 813	197 398	45 590
Rent – operating lease (Note 8.2)	-	365 755	-	49 868
Travel	2 257 995	787 342	810 346	97 463
	<b>5 255 725</b>	<b>3 662 622</b>	<b>2 249 114</b>	<b>496 691</b>
<b>8.1 Donations and gifts</b>				
Bindura University of Science & Technology prizes	-	1 701	-	230
Cleaners' hampers	3 827	-	3 827	-
	<b>3 827</b>	<b>1 701</b>	<b>3 827</b>	<b>230</b>
<b>8.2 Operating lease – payments for the year</b>				
Lease payments	-	365 755	-	49 868
<b>8.2.1 Rent – lease Minimum lease payments</b>				
Not later than one year	811 603	869 835	811 603	140 070
Later than one year not later than five years	719 308	1 449 724	719 308	233 450
Later than five years	-	-	-	-
	<b>1 530 911</b>	<b>2 319 559</b>	<b>1 530 911</b>	<b>373 520</b>

In 2018 the Commission entered into a three year lease agreement with Matay Investments (Lessor) which is not capable of termination by either side as long as the Commission is complying with terms of the lease agreement. The Commission acquired the right to control the use of the 2<sup>nd</sup> Floor and the right side of the **Ground** floor of Block C Smatsatsa Park for three years in exchange for consideration.

NOTES TO THE FINANCIAL STATEMENTS  
for the year ended 31 December 2019

	2019 ZWL Inflation Adjusted	2018 ZWL Inflation Adjusted	2019 ZWL Historical	2018 ZWL Historical
<b>8.3 Right of use assets</b>				
<b>Balance at beginning of year</b>	-	-	-	-
Initial adoption of IFRS 16	1 678 945	-	299 355	-
Depreciation	(547 017)	-	(243 776)	-
Arising from lease reassessment	2 129 358	-	1 419 484	-
Arising from monetary adjustments	(1 786 223)	-		-
	<b>1 475 063</b>		<b>1 475 063</b>	
<b>8.4 Lease liabilities</b>				
<b>Balance at beginning of year</b>				
Initial adoption of IFRS 16	1 613 479	-	287 683	
Add accrued interest posted to profit and loss	282 990	-	138 902	
Less lease commitments paid during the year	(713 324)	-	(326 830)	
Arising from lease remeasurement	(2 129 358)	-	1 431 156	
Arising from monetary adjustments	2 477 124	-	-	
<b>Balance at end of year</b>	<b>1 530 911</b>		<b>1 530 911</b>	
Current lease liability	811 603		811 603	
Non-current lease liability	719 308		719 308	
	<b>1 530 911</b>		<b>1 530 911</b>	

NOTES TO THE FINANCIAL STATEMENTS  
for the year ended 31 December 2019

9.	PROPERTY AND EQUIPMENT					
9.1	Reconciliation of carrying amounts	Right of use asset ZWL	Motor Vehicles ZWL	Computer Equipment ZWL	Furniture Fittings ZWL	Total ZWL
	<b>Cost/ valuation (Inflation Adjusted)</b>					
	At 1 January 2019	-	848 694	4 135 464	4 198 554	9 182 712
	Additions		1 718 838	-	352 627	189 770
	Disposals		-	-	(15 138)	-
	<b>Cost/revaluation 31 December 2019</b>	<b>1 718 838</b>	<b>848 694</b>	<b>4 472 953</b>	<b>4 388 323</b>	<b>11 428 809</b>
	<b>Depreciation &amp; impairment</b>					
	At 1 January 2019	-	848 694	1 264 083	1 225 217	3 337 994
	Depreciation for the year	243 776	-	633 919	249 826	1 127 521
	Disposals		-	-	(5 656)	-
	<b>Balance at 31 December 2019</b>	<b>243 776</b>	<b>848 694</b>	<b>1 892 346</b>	<b>1 475 043</b>	<b>4 459 859</b>
	<b>Net book values at 1 January 2019</b>	<b>-</b>	<b>-</b>	<b>2 871 380</b>	<b>2 973 337</b>	<b>5 844 718</b>
	<b>Net book values at 31 December 2019</b>	<b>1 475 063</b>	<b>-</b>	<b>2 580 607</b>	<b>2 913 280</b>	<b>6 968 950</b>



NOTES TO THE FINANCIAL STATEMENTS  
for the year ended 31 December 2019

9. PROPERTY AND EQUIPMENT (continued)

	Land ZWL	Buildings ZWL	Motor Vehicles ZWL	Computer Equipment ZWL	Furniture Fittings ZWL	Total ZWL
<b>Cost/ valuation (Inflation Adjusted)</b>						
At 1 January 2018	1 046 261	2 272 376	848 694	1 210 916	1 786 359	7 164 606
Additions				3 190 458	3 066 421	6 256 879
Disposals				(265 910)	(654 226)	(920 136)
Revaluation	254 030	(343 466)	-	-	-	(89 436)
Transfer to Investment Property	(1 300 291)	(1 928 909)	-	-	-	(3 229 201)
<b>Cost/revaluation 31 December 2018</b>	<b>-</b>	<b>-</b>	<b>848 694</b>	<b>4 135 464</b>	<b>4 198 554</b>	<b>9 182 712</b>
<b>Depreciation &amp; impairment</b>						
At 1 January 2018	-	119 971	848 694	935 469	1 726 434	3 630 568
Depreciation for the year	-	57 583	-	602 016	121 176	780 775
Disposals	-	-	-	(273 402)	(622 393)	(895 795)
Revaluation	-	(117 544)	-	-	-	(177 554)
<b>Balance at 31 December 2018</b>	<b>-</b>	<b>-</b>	<b>848 694</b>	<b>1 264 083</b>	<b>1 225 217</b>	<b>3 337 994</b>
<b>Net book values at 1 January 2018</b>	<b>1 046 261</b>	<b>2 152 404</b>	<b>-</b>	<b>275 447</b>	<b>59 925</b>	<b>3 534 037</b>
<b>Net book values at 31 December 2018</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2 871 381</b>	<b>2 973 337</b>	<b>5 844 718</b>

NOTES TO THE FINANCIAL STATEMENTS  
for the year ended 31 December 2019

9. PROPERTY AND EQUIPMENT

9.1 Reconciliation of carrying amounts

Historical Cost/Valuation	Right of use asset ZWL	Motor Vehicles ZWL	Computer Equipment ZWL	Furniture Fittings ZWL	Total ZWL
At 1 January 2019	-	98 557	491 846	460 016	1 050 419
Additions	1 718 839	-	74 235	51 165	1 844 239
Disposals	-	-	(1 758)	-	(1 758)
<b>Cost/revaluation 31 December 2019</b>	<b>1 718 839</b>	<b>98 557</b>	<b>564 323</b>	<b>511 181</b>	<b>2 892 900</b>
<b>Depreciation &amp; impairment</b>					
At 1 January 2019	-	98 557	142 981	117 807	359 345
Depreciation for the year	243 776	-	195 702	78 004	517 482
Disposals	-	-	-	(694)	-
<b>Balance at 31 December 2019</b>	<b>243 776</b>	<b>98 557</b>	<b>337 989</b>	<b>195 811</b>	<b>876 133</b>
<b>Net book values at 1 January 2019</b>	<b>-</b>	<b>-</b>	<b>348 865</b>	<b>342 210</b>	<b>691 075</b>
<b>Net book values at 31 December 2019</b>	<b>1 475 063</b>	<b>-</b>	<b>226 333</b>	<b>315 371</b>	<b>2 016 767</b>

NOTES TO THE FINANCIAL STATEMENTS  
for the year ended 31 December 2019

9. PROPERTY AND EQUIPMENT (continued)

9.1 Reconciliation of carrying amounts (continued)

	Land ZWL	Buildings ZWL	Motor Vehicles ZWL	Computer Equipment ZWL	Furniture Fittings ZWL	Total ZWL
<b>Historical</b>						
<b>Cost/ valuation</b>						
At 1 January 2018	121 500	263 886	98 557	140 621	207 446	832 010
Additions	-	-	-	394 034	357 896	751 930
Disposals				(42 809)	(105 326)	(148 135)
Revaluation	29 500	(39 886)	-	-	-	(10 385)
Transfer to Investment Property	(151 000)	(224 000)	-	-	-	(375 000)
<b>Cost/revaluation 31 December 2018</b>	<b>-</b>	<b>-</b>	<b>98 557</b>	<b>491 846</b>	<b>460 016</b>	<b>1 050 420</b>
<b>Depreciation &amp; impairment</b>						
At 1 January 2018	-	13 932	98 557	108 634	200 487	421 610
Depreciation for the year	-	6 687	-	78 362	16 313	101 362
Disposals	-	-	-	(44 015)	(98 993)	(143 008)
Revaluation	-	(20 619)	-	-	-	(20 619)
<b>Balance at 31 December 2018</b>	<b>-</b>	<b>-</b>	<b>98 557</b>	<b>142 981</b>	<b>117 807</b>	<b>359 345</b>
<b>Net book values at 1 January 2018</b>	<b>121 500</b>	<b>249 954</b>	<b>-</b>	<b>31 987</b>	<b>6 959</b>	<b>410 400</b>
<b>Net book values at 31 December 2018</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>348 865</b>	<b>342 210</b>	<b>691 075</b>

## NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2019

### 10. INVESTMENT PROPERTY

	2019 ZWL Inflation Adjusted	2018 ZWL Inflation Adjusted	2019 ZWL Historical	2018 ZWL Historical
Balance as at 1 January	2 329 256	-	375 000	-
Transfers from Property Plant & Equipment	-	2 329 256	-	375 000
Net gains from fair value adjustments	3 070 744	-	5 025 000	-
	<b>5 400 000</b>	<b>2 329 256</b>	<b>5 400 000</b>	<b>375 000</b>

The Investment property is a one storey building on 7,536 square meters which the Commission had been using as its head office. A market review was carried out by an independent valuer, Interface Real Estate at the end of 2019. The result of this market review was an increase in fair value.

#### Valuation of Investment property

Investment property was fair valued on an open market basis by an independent professional valuer Interface Real Estate (Private) Limited as at 31 December 2019 in accordance with the Real Estate Institute of Zimbabwe Standards.

#### Fair value hierarchy

The fair value of land and buildings was determined by an external, independent property valuer, having appropriate recognised professional qualifications and recent experience in the location and category of the property being valued. The independent valuer provides the fair value of the Commission's investment property annually – recurring fair value measurements.

The basis of valuation was the market value which was the estimated amount on the valuation date exchanged between a willing buyer and a willing seller in an arm's length transaction, after proper marketing and where the parties are each acting knowledgeably. The market price is focused on the assumptions of the marketplace. The valuation took into account all information available to independent, knowledgeable, able and willing parties. This fair value was measured using the same assumptions used by those market participants. It considered assumptions of the property. Such assumptions included the condition and location of the property and any restrictions on its sale or use. The prices used were those in an orderly transaction which confirmed exposure to the market for a period before the date of measurement to allow for normal marketing activities to take place. The market had competitive tension, sufficient time, and information about similar assets hence there is acceptable fair value. This Investment Property is in level 2 of the fair value hierarchy defined in IFRS 13.

The valuation technique used Level 2 inputs which are prices derived from the active market for real estate properties similar to the property in the same location and condition and subject to similar lease and other contracts. The market is active where transactions take place with sufficient frequency and volume for pricing information to be provided. The valuation assumed that both the willing buyer and the willing seller are reasonably informed about the nature and characteristics of the asset, its actual and potential uses, and the state of the market as of the valuation date. The valuation also assumed that the load bearing qualities of the site of the property are sufficient to support the buildings constructed thereon. That the land and its surrounding areas are not contaminated, the property is free from any rot, infestation, adverse toxic chemical treatments, and structural or design defects other than general wear and tear.

#### Valuation technique

A market review was carried out by independent valuer, Interface Real Estate (Private) Limited at 31 December 2019. The result of this market review was an increase in fair value recognized in the profit and loss.

## NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2019

### 11. TAXATION

The Commission has been exempt from corporate tax since 1 August 2008 as clarified in General Notice 243 of 2014 gazetted on 13 June 2014. This also means the Commission is exempt from capital gains tax as read with the Capital Gains Tax Act (Chapter 23:01).

### 12. FINANCIAL ASSETS

#### AT FAIR VALUE THROUGH PROFIT OR LOSS

	2019 ZWL Inflation Adjusted	2018 ZWL Inflation Adjusted	2019 ZWL Historical	2018 ZWL Historical
Equity Investments	-	1 100 415	-	177 162
Unit trusts	503 306	1 885 612	503 306	303 575
	<b>503 306</b>	<b>2 986 027</b>	<b>503 306</b>	<b>480 737</b>

The fair value of financial instruments traded in active markets is based on quoted market prices at the reporting date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, a dealer, broker, pricing service, or regulatory agency and those prices represents actual and regulatory occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the Commission is the current bid price and fall under level 1 of the fair value hierarchy.

	2019 ZWL Inflation Adjusted	2018 ZWL Inflation Adjusted	2019 ZWL Historical	2018 ZWL Historical
<b>AT AMORTISED COST</b>				
Reserve Bank of Zimbabwe savings bonds	69 607	2 510 141	69 607	404 122

NOTES TO THE FINANCIAL STATEMENTS  
for the year ended 31 December 2019

	2019 ZWL Inflation Adjusted	2018 ZWL Inflation Adjusted	2019 ZWL Historical	2018 ZWL Historical
<b>13. CASH AND CASH EQUIVALENTS</b>				
Money market investments	990 287	4 516 107	990 287	727 073
Cash at bank RTGS	885 301	1 276 104	885 301	205 447
Cash at bank Nostro	4 954	13 619	4 954	2 193
Cash on hand RTGS	8	911	8	147
Cash on hand forex	50 723	-	50 723	-
	<b>1 931 273</b>	<b>5 806 741</b>	<b>1 931 273</b>	<b>934 860</b>
<b>14. TRADE AND OTHER RECEIVABLES</b>				
Trade debtors	245 219	790 505	245 219	127 268
Staff loans– current portion	329 869	334 802	329 869	53 902
Amounts receivable from Commissioners	339 985	-	339 985	-
Tax on overpaid Commissioner Fees	167 245	-	167 245	-
Sundry debtors	23 294	201 647	23 294	32 924
	<b>1 105 612</b>	<b>1 326 954</b>	<b>1 105 612</b>	<b>214 094</b>
Staff loans – non-current portion	57 276	1 853 733	57 276	298 443
	<b>1 162 888</b>	<b>3 180 687</b>	<b>1 162 888</b>	<b>512 537</b>

Loans to staff were charged interest at a rate of 8.5% per annum in 2019 on a monthly reducing balance. Staff Loans are repaid through monthly instalments deducted from the employee's salary.

	2019 ZWL Inflation Adjusted	2018 ZWL Inflation Adjusted	2019 ZWL Historical	2018 ZWL Historical
<b>14.1 RECONCILIATION OF IMPAIRMENT</b>				
Balance at the beginning of the year	390 457	210 680	62 862	24 466
Increase in loss allowance	-	(354 228)	-	(26 633)
Decrease in loss allowance	(354 228)	-	(26 633)	-
	<b>36 229</b>	<b>390 457</b>	<b>36 229</b>	<b>62 862</b>
<b>15. AMOUNTS RECEIVED IN ADVANCE AND OTHER PAYABLES</b>				
Licence fees received in advance	1 250 176	1 691 293	1 250 176	272 291
Payroll payables	318 318	851 390	318 318	137 530
Provisions and accruals	374 788	207 864	374 788	33 464
	<b>1 943 282</b>	<b>2 750 547</b>	<b>1 943 282</b>	<b>443 285</b>



## NOTES TO THE FINANCIAL STATEMENTS

### for the year ended 31 December 2019

#### 16. RELATED PARTY DISCLOSURES

##### 16.1 Ministry of Finance and Economic Development

Treasury, which is the Ministry of Finance and Economic Development, is also the parent Ministry that the Commission is under. In 2019 there were no related party transactions with the parent Ministry. Treasury did not disburse a grant to the Commission in 2019 because the Commission had sufficient funds to meet its financial obligations as they fell due. Through such support in the form of grants the parent ministry fulfills its commitment to ensuring the Commission remains a going concern.

##### 16.2 Bindura University of Science Education

In 2019, the Commission did not donate any prizes to Bindura University of Science Education. In 2019 the Commission donated 6 hampers of basic commodities worth ZWL 3 595.74 to cleaners who clean the offices and a bottle of wine worth ZWL 231 to the Premises Administrator.

In 2018, the Commission donated prizes for outstanding students in the Banking and Finance faculty of Bindura University of Science Education valued at ZWL 230.

##### 16.3 Commissioner Board Fees overpaid

In 2019, the exchange rate established between the new ZWL currency and the US\$ deteriorated significantly. Commissioners awaiting guidance from their principal reviewed fees in line with the interbank rate as an interim measure. Upon receiving guidance from their Principal, Commissioners started repaying amounts that were in excess of the reviewed fees. Below is a schedule of the amounts overpaid, how much has been repaid as at 31 December 2019 and the balances owing as at 31 December 2019.

Overpayment net of tax (ZWL)						
Inflation adjusted						
Commissioner	Retainer	Sitting fee	Total	Repaid	Monetary loss	Balance
L.T Gwata	108 484	51 376	159 860	(26 300)	(93 770)	39 790
P. Chitando	87 598	54 836	142 434	(20 176)	(83 785)	38 473
H. Nkomo	81 048	27 946	108 994	(12 323)	(65 936)	30 735
G. P Manungo	95 107	74 825	169 932	(24 991)	(95 462)	49 479
E.R Chitanda	83 522	55 608	139 130	(17 885)	(82 081)	39 164
Y. Banda	82 060	76 827	158 887	(21 472)	(92 824)	44 591
P. Paradza	95 619	89 030	184 649	(24 183)	(108 453)	52 013
F. Ziumbe	84 052	79 982	164 034	(22 011)	(96 283)	45 740
<b>Total</b>	<b>717 490</b>	<b>510 430</b>	<b>1 227 920</b>	<b>(169 341)</b>	<b>(718 594)</b>	<b>339 985</b>

## NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2019

### 16. RELATED PARTY DISCLOSURES (Continued)

#### 16.3 Commissioner Board Fees overpaid (continued)

Overpayment net of tax (ZWL)					
Historical					
Commissioner	Retainer	Sitting fee	Total	Repaid	Balance
L.T Gwata	33 945	23 402	57 347	(17 558)	39 789
P. Chitando	27 410	24 484	51 894	(13 422)	38 473
H. Nkomo	25 361	14 238	39 599	(8 864)	30 735
G. P Manungo	29 760	36 406	66 166	(16 686)	49 480
E.R Chitanda	26 135	25 772	51 907	(12 742)	39 164
Y. Banda	25 677	33 197	68 874	(14 283)	44 591
P. Paradza	29 920	38 323	68 243	(16 230)	52 013
F. Ziumbe	26 301	34 184	60 484	(14 745)	45 740
<b>Total</b>	<b>224 509</b>	<b>230 006</b>	<b>454 515</b>	<b>(114 530)</b>	<b>339 985</b>

#### 16.4 Key management personnel

Key management are the personnel responsible for the day to day management of the Commission. These individuals report to the board of the Commission on the operational and strategy decisions of the Commission.

	2019 ZWL Inflation Adjusted	2018 ZWL Inflation Adjusted	2019 ZWL Historical	2018 ZWL Historical
<b>Short-term employee benefits</b>	<b>5 755 487</b>	<b>7 114 524</b>	<b>2 049 391</b>	<b>912 337</b>
<b>Chief Executive Officer</b>	<b>1 167 943</b>	<b>1 629 132</b>	<b>418 415</b>	<b>210 334</b>
Salary	771 353	1 017 460	246 275	124 740
Allowance	331 347	199 120	147 975	25 014
Medical Aid	65 243	89 319	24 165	10 800
Bonus	-	323 233	-	49 780
<b>Heads of Departments</b>	<b>4 587 544</b>	<b>5 485 392</b>	<b>1 630 976</b>	<b>702 003</b>
Salaries	2 959 031	3 082 420	956 041	382 932
Allowances	1 475 662	964 741	624 134	119 942
Medical Aid	152 851	228 555	50 801	27 765
Bonuses	-	1 209 676	-	171 364

## NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2019

### 16. RELATED PARTY DISCLOSURES (Continued)

#### 16.4 Key management personnel (continued)

##### Loans to key management

The Commission advances personal loans to all staff. The value of loans advanced to key management are shown below.

##### 2019

##### Inflation adjusted

Name	Loan Taken ZWL	Period in months	Interest per annum	Repayment per month ZWL	Loan balance 31 December 2019 ZWL
T. W Chinamo	13 202	18 months	8.5%	278	3 333
N. Maferefa	125 798	18 months	8.5%	1 833	20 056
K. Msemburi	51 488	18 months	8.5%	1 083	14 083
C. Mutangadura	52 808	18 months	8.5%	1 111	13 333
G. Dzangare	116 177	18 months	8.5%	2 670	34 140
L. Madende	60 097	18 months	8.5%	1 264	15 174
B. Gava	12 348	18 months	8.5%	361	5 056
<b>Grand total</b>	<b>431 918</b>			<b>8 600</b>	<b>105 175</b>

##### 2019

##### Historical

Name	Loan Taken ZWL	Period in months	Interest per annum	Repayment per month ZWL	Loan balance 31 December 2019 ZWL
T. W Chinamo	5 000	18 months	8.5%	278	3 333
N. Maferefa	33 000	18 months	8.5%	1 833	20 056
K. Msemburi	19 500	18 months	8.5%	1 083	14 083
C. Mutangadura	20 000	18 months	8.5%	1 111	13 333
G. Dzangare	48 052	18 months	8.5%	2 670	34 140
L. Madende	22 761	18 months	8.5%	1 264	15 174
B. Gava	6 500	18 months	8.5%	361	5 056
<b>Grand total</b>	<b>154 813</b>			<b>8 600</b>	<b>105 175</b>

## NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2019

### 16. RELATED PARTIES DISCLOSURES (continued)

#### Key management disclosures

2018

Inflation adjusted

Name	Loan Taken ZWL	Period in months	Loan balance 1 January 2018 ZWL	Interest per annum	Repayment per month ZWL	Loan balance 31 December 2018 ZWL
T. W Chinamo	-	n/a	456 080	8%	10 930	202 732
N. Maferefa	-	n/a	106 463	8%	4 024	48 618
K. Msemburi	-	n/a	496 659	8%	12 364	237 626
C. Mutangadura	-	n/a	193 131	8%	4 167	82 562
G. Dzangare	64 339	18	38 323	8%	4 782	65 304
L. Madende	-	n/a	468 746	8%	10 414	213 077
B. Gava	-	n/a	34 406	8%	1 328	9 365
<b>Grand total</b>	<b>64 339</b>		<b>1 793 808</b>		<b>48 009</b>	<b>859 284</b>

2018

Historical

Name	Loan Taken ZWL	Period in months	Loan balance 1 January 2018 ZWL	Interest per annum	Repayment per month ZWL	Loan balance 31 December 2018 ZWL
T. W Chinamo	-	n/a	52 971	8%	1 760	32 646
N. Maferefa	-	n/a	12 365	8%	648	7 829
K. Msemburi	-	n/a	57 684	8%	1 991	38 895
C. Mutangadura	-	n/a	22 431	8%	671	13 295
G. Dzangare	9 500	18	4 451	8%	770	10 516
L. Madende	-	n/a	54 442	8%	1 677	34 312
B. Gava	-	n/a	3 996	8%	214	1 508
<b>Grand total</b>	<b>9 500</b>		<b>208 340</b>		<b>7 731</b>	<b>139 001</b>

	2019 ZWL Inflation Adjusted	2018 ZWL Inflation Adjusted	2019 ZWL Historical	2018 ZWL Historical
<b>16.5 Commissioner's costs</b>				
Allowances and fees (Refer to note 7.1)	524 485	850 037	206 383	103 400

## NOTES TO THE FINANCIAL STATEMENTS

### for the year ended 31 December 2019

#### 17. FINANCIAL RISK MANAGEMENT

**17.1** The main risks arising from the Commission's financial instruments are market risk (which includes currency risk and interest rate risk), credit risk and liquidity risk. The Commission does not use derivative financial instruments for speculative purposes. The Commissioners have the overall responsibility for the establishment and oversight of the Commission's risk management framework. These policies are reviewed by management on a regular basis for adequacy in being able to manage any changes in risks arising from changes in the operating environment. This note presents information about the Commission's exposure to risks, its objectives, policies and processes for measuring and managing the risks, and the Commission's management of capital.

#### 17.2 Currency risk

In respect of monetary assets and liabilities denominated in foreign currencies, the Commission ensures that net exposure is kept to an acceptable level. This is achieved through all levies remitted and purchases being made in the local currency, which is the Commission's functional currency.

#### 17.3 Interest rate risk

The interest rates for interest receivable from local financial institutions are generally pegged against the London Interbank Offered Rate (LIBOR). The Commission manages this risk by financing its operations through accumulated funds as a result of which exposure to interest rate risk is minimal.

#### 17.4 Credit risk

Credit risk is the risk of financial loss if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Commission's receivables from its regulated entities. For risk management reporting purposes the Commission considers all elements of credit risk exposure and adequate impairment is made against any trade and other receivables considered high risk.

#### 17.5 Liquidity risk

Liquidity risk is the risk that the Commission will not be able to meet financial obligations as they fall due. In order to manage any liquidity risk that the Commission may face, the Commission maintains significant liquid resources to meet its liabilities when due under both normal and stressed conditions. The Commission manages liquidity risk by maintaining adequate cash reserves and by continuously monitoring forecast and actual cash flows.

The cash resources available to the Commission are considered adequate to meet its short term liquidity and cash flow requirements.

#### 17.6 Capital management

The Commission is not subject to externally imposed capital requirements.

#### 18. FINANCIAL INSTRUMENTS

##### 18.1 Credit risk

##### Exposure to credit risk

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

	2019 ZWL Inflation Adjusted	2018 ZWL Inflation Adjusted	2019 ZWL Historical	2018 ZWL Historical
<b>Carrying amount</b>				
Trade and other receivables	1 162 888	3 180 687	1 162 888	512 537
Reserve Bank of Zimbabwe savings bonds	69 607	2 510 141	69 607	404 122
Short-term money market investments	990 287	4 516 106	990 287	727 073
Equity Investments and Unit trusts	503 306	2 986 027	503 306	480 737
Cash at bank	890 255	1 289 723	890 255	207 640
	<b>3 616 343</b>	<b>14 482 684</b>	<b>3 616 343</b>	<b>2 332 109</b>

Trade receivables and other receivables are all classified as loans and receivables.

## NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2019

### 18. FINANCIAL INSTRUMENTS (continued)

#### 18.2 Liquidity risk

The following are contractual maturities of financial liabilities estimated interest payments and excluding the impact of netting agreements:

	Carrying Amount ZWL	Contractual Cash Flows ZWL	0-12 Months ZWL	12 Months or more ZWL
<b>31 December 2019</b>				
<b>Inflation Adjusted</b>				
<b>Non-derivative financial liabilities</b>				
Payroll payables	318 318	318 318	318 318	-
Accruals	374 788	374 788	374 788	-
	<b>693 106</b>	<b>693 106</b>	<b>693 106</b>	-
<b>31 December 2019</b>				
<b>Historical</b>				
Payroll payables	318 318	318 318	318 318	-
Accruals	374 788	374 788	374 788	-
	<b>693 106</b>	<b>693 106</b>	<b>693 106</b>	-
<b>31 December 2018</b>				
<b>Inflation Adjusted</b>				
<b>Non-derivative financial liabilities</b>				
Payroll payables	851 390	851 390	851 390	-
Accruals	207 864	207 864	207 864	-
	<b>1 059 254</b>	<b>1 059 254</b>	<b>1 059 254</b>	-
<b>31 December 2018</b>				
<b>Historical</b>				
<b>Non-derivative financial liabilities</b>				
Payroll payables	137 530	137 530	137 530	-
Accruals	33 464	33 464	33 464	-
	<b>170 994</b>	<b>170 994</b>	<b>170 994</b>	-

The above non-derivative financial liabilities are all classified as financial liabilities measured at amortised costs. The Commission had no derivative financial liabilities at 31 December 2019 and 31 December 2018.



## NOTES TO THE FINANCIAL STATEMENTS

### for the year ended 31 December 2019

#### 18. FINANCIAL INSTRUMENTS (continued)

##### 18.3 Currency risk

The Commission does not have any exposure to currency risk as all transactions are in the local currency. It has no foreign expenses, income, assets or obligations.

##### 18.4 Interest rate risk

At the reporting date the Commission had no other fixed rate interest bearing financial asset other than staff loans, money market investments and the Reserve Bank of Zimbabwe savings bonds. The Commission does not account for fixed rate financial assets at fair value through profit and loss and therefore a change in interest rates at the reporting date would not affect profit or loss.

	2019	2018
Interest rate on staff loans	8.5%	8%
Interest rate on RBZ savings bonds	7%	7%
Interest rate on money market investments	7%	3%

#### 19. CONTINGENT LIABILITY

The Commission had no contingent liabilities as at 31 December 2019 and 31 December 2018.

#### 20. GOING CONCERN ASSESSEMENT

In the year under review the Commission experienced a 5% increase in income. After taking into account all available information about the future for at least 12 months after the date of approval of these financial statements, management continues to adopt the going concern basis of preparation. The Commission's 2020 forecasts and budgets take the above into account and reflect funds availability for the foreseeable future.

#### 21. EVENTS AFTER THE REPORTING PERIOD

##### 21.1 COVID-19

COVID-19 has had a significant impact on global financial markets and accounting implications for many entities. Various governments including the Zimbabwean government have announced measures to provide both financial and non-financial assistance to disrupted industry sectors and affected business organisations. Government gazetted the Public Health (COVID-19 Containment and Treatment National Lockdown) Order, 2020 through Statutory Instrument 83 of 2020. Section 4(1) of SI 83 of 2020 ordered a lockdown for a period of 21 days with effect from March 30, 2020 to April 19, 2020.

In view of this the Commission carried out an assessment of the impact of COVID-19 on these financial statements. The Commission is experiencing conditions often associated with a general economic downturn which include liquidity concerns, broad declines in consumer discretionary spending, furloughs and supply chain disruptions. These effects of COVID-19 have not had a material impact on these financial statements. This is because the stock market is automated, and trades have continued electronically during the lock down period. Licensees have continued to pay their dues electronically to the Commission. Since inception the Commission has not received physical cash payments but has always received electronic transfers from its licensees this has continued uninterrupted by the COVID19 pandemic. Reduced consumer discretionary income has not had a material effect on the Commission because investors on the stock market are mostly institutional and so consumers are few and far between. The Commission's employees are working from home with access to the Commission's server but coming to work on a rotational basis because the Government has categorised the Commission a critical service organisation. The absence of staff on a rotational basis has not had a material impact on the Commission. The Commission's purchases are mainly to support staff working at the Commission, however these have not been required because staff are working remotely from home. As a result, supply chain disruptions have not materially affected the Commission's operations.

## NOTES TO THE FINANCIAL STATEMENTS

### for the year ended 31 December 2019

#### **21. EVENTS AFTER THE REPORTING PERIOD (Continued)**

##### **21.1 COVID-19 (continued)**

Fair value measurements as at 31 December 2019 are not materially affected by COVID-19 and so were not reviewed. All the Commission's receivables are from local debtors. The Commission assessed that there is no material change in its allowance for expected credit losses. This is because its licensee debtors who are trade debtors have not had their operations materially affected. The Commission will not be laying off staff due to COVID-19 and so the expected credit loss and loss given default for staff loans in these financial statements were not materially affected. The other debtor is the Reserve Bank of Zimbabwe whose operations are not materially affected by COVID-19 and so the expected credit loss does not change. There are no decisions made by the Commission in response to the COVID-19 outbreak that require disclosure in these financial statements or which affect the amounts recognised. The occurrence of the coronavirus outbreak does not materially change the risk characteristics of the Commission's receivables, because the respective borrowers or customers do not engage in businesses, and are not located in areas, which have become materially affected by the outbreak. It is therefore not appropriate to adjust ratings and the probabilities of default (PD) because the licensees will also have access to government COVID-19 financial support as announced by the government. There was no need to vary payment terms because licensees and other debtors have continued to pay in full and on time.

##### **21.2 REASSESSMENT OF GOING CONCERN**

The Commission reassessed its going concern in light of the COVID-19 outbreak. The Commission took into consideration existing and anticipated effects of the outbreak on the Commission's activities in its assessment of the appropriateness of the use of the going concern basis. The assessment showed that liquidity risk management was adequate as the market continues to trade and the government through the Commission's parent Ministry the Ministry of Finance and Economic Development has indicated that it will give financial support to organisations that have been adversely affected by the COVID-19 pandemic. Although COVID-19 was an event after the end of the reporting period it did not bring any material uncertainties that cast significant doubt on the Commission's ability to continue as a going concern. COVID-19 has no material impact therefore management satisfied itself that the going concern basis is appropriate. There was no need to significantly change the use of any asset or to dispose of any asset due to COVID-19 so there was no need for impairment assessment of assets after the reporting period. The Commission does not have local or foreign debt and so the effect of COVID-19 on the Commission's liquidity is not assessed to be material. The Commission has alternative sources of funding as before in the form of access to government funding through treasury as was given before, should its working capital be inadequate.

##### **21.3 OTHER EVENTS AFTER THE REPORTING PERIOD**

There were no other events after the reporting period that have a material effect on these financial statements.

#### **22. APPROVAL OF THE FINANCIAL STATEMENTS**

The financial statements were approved and authorised for issue on 30 June 2020.