

Nolands

NOT YOUR ORDINARY AUDITORS

THE INVESTOR PROTECTION FUND

FINANCIAL STATEMENTS

31 DECEMBER 2019



The Investor Protection Fund
Financial Statements for the year ended 31 December 2019

General Information

Established	2013		
Country of domicile	Zimbabwe		
Nature of business	The Investor Protection Fund (the Fund or IPF) was established in Zimbabwe by the Securities Act [Chapter 24:25] (Act), with the objective of compensating protected investors from losses suffered as a result of malpractice on the part of a contributor or in the event of a contributor becoming insolvent.		
Board of Directors	Mrs. Justice V. Ziyambi (Retired) [Chairman] Mr. J. Bgoni [Board Member] Mr. T. Chinamo [Board Member] Mr. M. Kaliati [Board Member] Mr. N.P.S Zhou [Board Member] Mr. N. Zvareva [Board Member]		
Registered office	Investor Protection fund c/o Comarton Consultants (Private) Limited 118 McCherly avenue Eastlea <u>Harare</u>		
Fund administrator	Comarton Consultants (Private) Limited 118 McCherly avenue <u>Harare</u>		
Custodian	Stanbic Custodial Services 59 Samora Machel Avenue <u>Harare</u>		
Auditor	Nolands Harare Chartered Accountants No. 7 Glenara Ave South Corner S Machel Ave <u>Harare</u>		
Banker	Stanbic Bank Zimbabwe Limited 59 Samora Machel Avenue <u>Harare</u>		
Asset Managers	Atria Asset Management 2nd Floor Unit K Block 1 Celestial Park Borrowdale Road <u>Harare</u>	ABC Asset Management 1 Endeavour Crescent Mt Pleasant Business Park Mt Pleasant <u>Harare</u>	Old Mutual Investment Group Mutual Gardens 100 The Chase West Emerald Hill <u>Harare</u>
Internal auditor	PKF Chartered Accountants (Zimbabwe) 3rd Floor Takura House 67 Kwame Nkrumah Avenue P O Box CY 629 Causeway <u>Harare</u>		

The Investor Protection Fund
Financial Statements for the year ended 31 December 2019

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Chairman's Report

Objectives of the Fund

The Investor Protection Fund (hereinafter called "the Fund") was established in terms of the Securities Act as amended by Securities Amendment Act No 2 of 2013, for the purpose of providing compensation to investors for losses suffered as a direct result of a licensed contributor being unable to meet its liabilities through insolvency, malpractice or other cause. Thus an investor will have recourse to the Fund where a licensed contributor is unable, or likely to be unable, to pay its liabilities, in the event of (a) cessation of trading, or (b) contributor having insufficient assets to meet its liabilities or (c) insolvency declared by a competent court in Zimbabwe.

Board of Directors

The management of the Fund is vested in a Board of Directors, which is responsible for the administration and management of the Fund. The Board consists of six Directors.

Service providers

During the year, the Fund's investments continued to be under the management of three Asset Managers, ABC Asset Management, Atria Africa Asset Management and Old Mutual Investment Group. The assets are registered in the name of the Fund and are kept at Stanbic Custodial Services. Accounting, administration and secretarial services of the Fund continued to be provided by Comarton Consultants (Private) Limited.

Fund Performance

During the year, the Fund maintained its conservative investment strategy which focuses on capital preservation. The Fund posted a return on equity of 65% mainly driven by the listed equities portfolio. Total income of the Fund was \$2,518,616 which included levy income of \$1,029,210 whilst interest income of \$171,715; sundry income of \$940,154 and surplus on sale of shares of \$377,536 contributed significantly to total income. Expenses for the year amounted to \$1,377,033 with the major expense items being funding of the investor awareness campaigns carried out by the Securities and Exchange Commission, administration and secretarial services and Asset Manager's fees. The Fund recorded a surplus of \$27,539,324 (based on the historical accounts) for the year ended 31 December 2019, a 464% jump from the position as at 31 December 2018. The surplus resulted in an increase in the Fund balance from \$14,932,872 as at 31 December 2018, to \$42,472,196 as at 31 December 2019.

JUSTICE V. ZIYAMBI (RETD)
CHAIRMAN

Directors' Responsibilities and Approval

The Directors are required in terms of the Investor Protection Fund Rules to maintain adequate accounting records and are responsible for the content and integrity of the financial statements and the related information included in this report. It is their responsibility to ensure that the financial statements fairly present the state of affairs of the Investor Protection Fund (Fund) at the end of the financial year and the results of its operations and cash flows for the period then ended in conformity with the International Financial Reporting Standards. The external auditors are engaged to express an independent opinion on the financial statements.

The financial statements are prepared in accordance with International Financial Reporting Standards and are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The Directors acknowledge that they are ultimately responsible for the system of internal financial control systems established by the Fund and place considerable importance on maintaining a strong control environment. To enable the Directors to meet these responsibilities, the Directors set standards for internal control aimed at reducing the risk of error or loss in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk.

These controls are monitored throughout the accounting period and all service providers are required to maintain the highest ethical standards in ensuring that the business is conducted in a manner, that in all reasonable circumstances, is above reproach. The focus of risk management is on identifying, assessing, managing and monitoring all known forms of risk. While operating risk cannot be fully eliminated, the Fund endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The financial statements are prepared in accordance with appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The Directors are of the opinion, based on the information and explanations given by service providers, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the financial statements. However, any system of internal financial control can provide only reasonable, and not absolute assurance against material misstatement or loss.

The Directors have assessed the ability of the Fund to continue as a going concern and believe that the preparation of the financial statements on a going concern basis is still appropriate.

The financial statements and the notes thereto set out on pages 11 to 32, which have been prepared on the going concern basis, were approved by the Directors and were signed on their behalf by ;

Director 

Date 08/07/2020

Director 

Date 13/07/2020

Independent Auditor's Report

To the members of the Investor Protection Fund

Report on the financial statements

Adverse Opinion

We have audited, the accompanying financial statements of the **Investor Protection Fund** for the period ended 31 December 2019 set out on pages 11 to 32, which comprises the Statement of Financial Position as at 31 December 2019, Statement of Profit or Loss and Other Comprehensive Income, Statement of Changes in Equity and Statement of Cash flows for the year then ended, and a summary of significant accounting policies and explanatory notes.

In our opinion, because of the significance of the matter discussed in the Basis for Adverse Opinion paragraph, the accompanying financial statements do not present fairly, in all material respects, the financial position of the **Investor Protection Fund**, as at 31 December 2019, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards.

Basis for Adverse Opinion

a) Effects of IAS 21 'The Effects of Changes in Foreign Exchange Rates'

During the period 1 January 2019 to 22 February 2019, the Fund operated in an environment where suppliers were applying multi-tier pricing, where a single product had different prices depending on the mode of payment, whether USD cash, electronic payment, mobile money or bond notes. Due to the economic environment the Fund operated in, the Fund ended up experiencing premiums on the official foreign exchange rate of 1:1 prescribed by statutory instrument 133 of 2016, between the RTGS FCA, Bond Notes and the Nostro FCA. This resulted in transactions bearing similarities to what one would expect with transactions that are undertaken in different currencies to which International Accounting Standard (IAS) 21 "The Effect of Changes in Foreign Exchange Rates" would apply.

Basis for Adverse Opinion (continued)

a) Effects of IAS 21 'The Effects of Changes in Foreign Exchange Rates' (continued)

The transactions and balances presented in the period 1 January 2019 to 22 February 2019 were converted from USD to ZWL at an official rate of 1:1 except for Nostro FCA denominated balances which were converted at 1:2.5 in line with the requirements of Statutory Instrument 33 of 2019. International Accounting Standard (IAS) 21 requires the use of a single market exchange rate when converting balances and transactions upon change in functional currency. Consequently, using a rate of 1:1 for translating transactions during the period 1 January 2019 to 22 February 2019 to ZWL and use of different exchange rates when converting balances and transactions upon change in functional currency resulted in distortion of the ZWL values presented on the financial statements. This resulted in a material and pervasive departure from the requirements of IAS 21.

b) Opening balances

The comparative figures were converted to the local reporting currency (ZWL) from the previous reporting currency (USD) at a rate of 1:1.* The exchange rate used do not represent the true market exchange rate which existed in comparative year in terms of IAS 21. The use of an exchange rate of 1:1 was not in line with the requirements of IAS 21 when applying a change in functional and reporting currency retrospectively. This resulted in distortion of comparative figures reported in the financial statements.

We conducted our audit in accordance with International Standards on Auditing. 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 Fund in accordance with the International Ethics Standards Board of Accountants Code of Ethics for Professional Accountants (IESBA Code) and other independence requirements applicable to performing audits of financial statements in Zimbabwe. We have fulfilled our other ethical responsibilities in accordance with the IESBA Code and in accordance with other ethical requirements applicable to performing audits in Zimbabwe. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

We summarize below the matters that had the greatest effect on our audit, our key audit procedures and our findings from those procedures in order that the members may better understand the process by which we arrived at our audit opinion. Our findings are the result of procedures undertaken in the context of and solely for the purpose of our audit opinion on the Fund's financial statements.

Key Audit Matters (continued)

The key audit matters below relate to the audit of the financial statements.

Key audit matter	How our audit addressed the key audit matter
Valuation of investment property The Fund owns investment properties in Harare. As at 31 December 2019, the total carrying amount of the investment properties were ZWL1,354,650 as indicated in Note 11.4.2 of financial statements. The fair value of the Fund's investment properties was assessed by the Fund's service providers and was determined to be ZWL10,831,514 resulting in a total fair value gain of ZWL9,476,864 recognized in the Statement of Profit or Loss and Other Comprehensive Income for the year ended 31 December 2019. We identified the valuation of the investment properties as a key audit matter since the determination of the fair values involves significant judgement and estimation, particularly in selecting the appropriate valuation methodology and in determining the underlying assumptions, which increase the risk of error or potential management bias.	Our audit procedures to assess the valuation of investment properties included the following: • evaluating the qualifications, experience and competence of the property valuers engaged by management and holding discussions with the property valuers, without the presence of management, to understand their valuation methods and the assumptions applied; • evaluating the valuation methodology used by the property valuers by comparison with the valuation methodologies applied by other valuers for similar property types; • assessing the projected cash flows used in the valuations by comparing specific details with underlying leases and externally available industry and economic data; and • assessing the key assumptions adopted in the valuations, taking into consideration comparability and market factors, and considering the possibility of error or management bias in the selection of assumptions adopted.

Other information

The Directors are responsible for the other information. Other information does not include the Financial Statements and our auditor's report thereon.

Our opinion on the Financial Statements does not cover the other information and we do not express an audit opinion of 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 financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Statements

The Directors are responsible for the preparation and fair presentation of the Financial Statements in accordance with International Financial Reporting Standards and the requirements of the Investor Protection Fund Rules, and for such internal control as the board 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 Financial Statements, the Directors are responsible for assessing the Fund'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 Directors either intend to liquidate the Fund 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 International Standards on Auditing 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 the Financial Statements.

Auditor's responsibilities for the audit of the Financial Statements (continued)

As part of an audit in accordance with International Standards on Auditing, we exercise professional judgement and maintain professional skepticism 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 controls.

- Obtain an understanding of internal controls 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 Fund's internal controls.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.
- Conclude on the appropriateness of the Directors' 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 Fund'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 Fund 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 those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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

Auditor's responsibilities for the audit of the Financial Statements (continued)

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

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

Nolands
Nolands Harare Chartered Accountants
Per Bernard Matamba
PAAB Practising Number:-77
Partner
Registered Auditor

13/07/2020
Date

The Investor Protection Fund
Financial Statements for the year ended 31 December 2019

Statement of Financial Position		Inflation adjusted		Historical	
Figures in ZWL Dollar	Notes	2019	2018	2019	2018
ASSETS					
Non Current Assets					
Directly-owned investment properties	11.4.2	10 831 514	11 053 944	10 831 514	1 354 650
		<u>10 831 514</u>	<u>11 053 944</u>	<u>10 831 514</u>	<u>1 354 650</u>
Current Assets					
Cash and cash equivalents	7	2 064 095	10 495 912	2 064 095	1 286 264
ZSE Bond	12	-	12 240 000	-	1 500 000
Trade and other receivables	10	165 923	772 472	165 923	94 666
		<u>2 230 018</u>	<u>23 508 384</u>	<u>2 230 018</u>	<u>2 880 929</u>
Investments					
Money market Investments	8	462 308	4 322 124	462 308	529 672
Quoted Investments	11.1	19 442 950	74 261 251	19 442 950	9 100 644
Unquoted Investments	11.2	281 985	493 771	281 985	60 511
Commodities	11.3	1 307 509	2 591 022	1 307 509	317 527
Unit property Investments	11.4.1	8 129 162	5 940 149	8 129 162	727 959
		<u>29 623 915</u>	<u>87 608 317</u>	<u>29 623 915</u>	<u>10 736 313</u>
TOTAL ASSETS		<u>42 685 447</u>	<u>122 170 645</u>	<u>42 685 447</u>	<u>14 971 892</u>
EQUITY					
Accumulated fund		42 461 533	121 852 238	42 472 197	14 932 872
		<u>42 461 533</u>	<u>121 852 238</u>	<u>42 472 197</u>	<u>14 932 872</u>
Non Current Liabilities					
Rent deposit		13 755	-	3 091	-
		<u>13 755</u>	<u>-</u>	<u>3 091</u>	<u>-</u>
Current Liabilities					
Trade and other payables	9	210 159	318 407	210 159	39 020
		<u>210 159</u>	<u>318 407</u>	<u>210 159</u>	<u>39 020</u>
TOTAL EQUITY AND LIABILITIES		<u>42 685 447</u>	<u>122 170 645</u>	<u>42 685 447</u>	<u>14 971 892</u>

The financial statements and the notes thereto on pages 11 to 32, were approved by the Board of Directors on the 08/07, 2020 and were signed on its behalf by:


Chairman


Director

The Investor Protection Fund
Financial Statements for the year ended 31 December 2019

Statement of Comprehensive Income		Inflation adjusted		Historical	
Figures in ZWL Dollar	Notes	2019	2018	2019	2018
Income					
Investor protection levies		3 168 619	3 797 338	1 029 210	465 360
Interest income	1	474 997	2 593 664	171 715	317 851
Sundry income	2	1 366 096	4 498 967	940 154	551 344
Surplus on sale of shares		705 509	-	377 536	-
		<u>5 715 221</u>	<u>10 889 969</u>	<u>2 518 616</u>	<u>1 334 555</u>
Expenditure					
Administration costs		474 126	582 624	212 124	71 400
Board fees	3	219 374	266 832	116 819	32 700
Asset management fees	4	644 816	914 809	251 451	112 109
Other expenditure	5	521 820	2 246 584	197 104	275 317
Loss on sale of shares		-	209 190	-	25 636
Transfer to other fund		432 425	-	99 906	-
Awareness and education campaign		364 202	-	274 659	-
Audit fees		148 895	181 699	143 360	22 267
Custodial fees	6	85 999	160 785	33 536	19 704
Bank charges		88 092	39 078	37 867	4 789
Monetary loss		108 513 712	-	-	-
Total expenditure		<u>1 114 934 661</u>	<u>4 601 601</u>	<u>1 366 827</u>	<u>563 922</u>
(Deficit)/Surplus for the year before fair value		(105 778 240)	6 288 368	1 151 788	770 633
Increase in fair value of investments	11.5	26 387 536	33 525 621	26 387 536	4 108 532
Surplus for the year		<u>(79 390 704)</u>	<u>39 813 989</u>	<u>27 539 324</u>	<u>4 879 165</u>
Other comprehensive income		-	-	-	-
Total comprehensive income for the year		<u><u>(79 390 704)</u></u>	<u><u>39 813 989</u></u>	<u><u>27 539 324</u></u>	<u><u>4 879 165</u></u>

Statement of Changes in Equity

Figures in ZWL Dollar

Inflation adjusted	Retained Earnings	Total
Balance as at 31 December 2017	82 038 249	82 038 249
Total comprehensive income for the year	39 813 989	39 813 989
Balance as at 31 December 2018	121 852 238	121 852 238
Total comprehensive income for the year	(79 390 704)	(79 390 704)
Balance as at 31 December 2019	42 461 533	42 461 534

Historical	Retained Earnings	Total
Balance as at 31 December 2017	10 053 707	10 053 707
Total comprehensive income for the year	4 879 165	4 879 165
Balance as at 31 December 2018	14 932 872	14 932 872
Total comprehensive income for the year	27 539 324	27 539 324
Balance as at 31 December 2019	42 472 197	42 472 197

The Investor Protection Fund
Financial Statements for the year ended 31 December 2019

Statement of Cash Flows		Inflation adjusted		Historical	
Figures in ZWL Dollar	Notes	2019	2018	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES					
Surplus for the year	-	(79 390 704)	39 813 989	27 539 324	4 879 165
Adjustments for:					
Interest income	1	(474 997)	(2 593 664)	(171 715)	(317 851)
Dividends received	2	(1 142 665)	(4 060 465)	(604 855)	(497 606)
Surplus / (loss) on disposal of shares		(705 509)	209 190	(377 536)	25 636
Fair value exchange gain		(178 649)	-	(178 649)	-
Credit loss allowance		12 476	77 901	12 476	9 547
Inflation adjustments		98 004 867	-	-	-
Other non-cash items		-	-	(54 149)	-
Increase in fair value of investments	11.5	(26 387 536)	(33 525 621)	(26 387 536)	(4 108 532)
		<u>(10 262 717)</u>	<u>(78 671)</u>	<u>(222 640)</u>	<u>(9 641)</u>
Working capital changes					
(Increase)/decrease in trade and other receivables		(83 733)	446 711	(83 733)	54 744
Increase/(decrease) in trade and other payables		171 139	134 673	171 139	16 504
Rent deposit		(13 755)	-	(3 091)	-
Cash generated from operations		<u>(10 189 065)</u>	<u>502 713</u>	<u>(138 325)</u>	<u>61 607</u>
Net cash flows from operating activities		<u>(10 189 065)</u>	<u>502 713</u>	<u>(138 325)</u>	<u>61 607</u>
CASH FLOWS FROM INVESTING ACTIVITIES					
Interest received	1	474 997	2 593 664	171 715	317 851
Dividends received	2	1 142 665	4 060 465	604 855	497 606
Purchase of shares		(2 367 587)	(9 776 973)	(2 367 587)	(1 198 159)
Sale of shares		1 041 261	12 180 762	1 041 261	1 492 740
Sale of property		233 799	-	233 799	-
Purchase of property units	11.4.2	(521 000)	(6 661 367)	(521 000)	(816 344)
Sale of money markets		1 574 464	4 908 415	1 574 464	601 521
Net cash flows from investing activities		<u>1 578 599</u>	<u>7 304 968</u>	<u>737 507</u>	<u>895 217</u>
Net increase in cash and cash equivalents		<u>(8 610 467)</u>	<u>7 807 682</u>	<u>599 182</u>	<u>956 824</u>
Effects of foreign exchange gain on cash and cash equivalents		178 649	-	178 649	-
Cash and cash equivalents at the beginning of the year		10 495 912	2 688 230	1 286 264	329 440
Cash and cash equivalents at the end of the year	7	<u>2 064 094</u>	<u>10 495 912</u>	<u>2 064 095</u>	<u>1 286 264</u>
Represented By:-					
Cash and Bank Balances		<u>2 064 095</u>	<u>10 495 912</u>	<u>2 064 095</u>	<u>1 286 264</u>

Accounting Policies

1. Incorporation and activities

The Fund was established by an Act of Parliament in terms of Section 86B of the Securities Amendment Act, 2013 (the Act).

The objective of the Fund as provided for in Section 4 of the Securities Act (Chapter 24:25) is to provide high levels of investor protection by providing an additional layer of protection to investors and offer reimbursement for losses suffered as a direct result of a participant firm becoming insolvent.

The management of the Fund is vested in a Board set up in terms of Section 86C of the Act, currently made up of six members. The Board has outsourced the investment management function to three professional asset managers, with the Board exercising oversight. Other professional services such as Fund administration services and custodial services are contracted out to professional service providers.

2 Significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below.

2.1 Basis of preparation

The financial statements have been prepared on the going concern basis in accordance with, and in compliance with, International Financial Reporting Standards ("IFRS") and International Financial Reporting Interpretations Committee ("IFRIC") interpretations issued and effective at the time of preparing these financial statements and the Securities Act [Chapter 24:21], except for the non compliance with International Accounting Standards (IAS) 21, The effect of Changes in Foreign Exchange Rates explained note 2.1.1.

2.1.1 Functional and presentation currency

Items included in the financial statements of the Fund are measured using the currency of primary economic environment in which the entity operates (the functional currency). The financial statements are presented in Zimbabwe Dollars (ZWL\$), which is the Fund's functional and presentation currency.

The Fund operated in a multi-currency environment which included foreign currencies, mainly the United States Dollars (USD) and quasi-currency instruments in the form of electronic balances and bond notes which, during the reporting period, were officially pegged to the US\$ at an official exchange rate of 1:1. Multi-tier pricing in the market depending on the mode of payment (US\$, bond note, mobile money or RTGS\$) and persistent shortages of foreign currency resulting in delays in settling foreign obligations at the official exchange rate, particularly subsequent to monetary policy changes in the October 2018, triggered deliberations on whether the US\$ remained the functional currency for companies operating in Zimbabwe.

Given the environment that the Fund is currently operating in, the directors have assessed in terms of International Accounting Standard (IAS) 21, if there has been a change in the functional currency used by the Fund during the year. In their assessment the Directors included considerations of whether the various modes of settlement may represent different forms of currency. The following was considered:

- > On the 1st October 2018 the Reserve Bank of Zimbabwe (RBZ) through Exchange Control Directive RT120/2018, directed all banks to ring-fence Nostro foreign currency accounts (FCAs) by separating them into two categories, namely Real Time Gross Settlement (RTGS) FCAs for local RTGS transactions and Nostro FCAs for foreign currency transactions at a parity rate of 1:1.
- > On the 22nd of February 2019 Statutory Instrument 33 of 2019 (SI 33) was issued as an amendment to the Reserve Bank of Zimbabwe Act and it introduced a new currency named the RTGS Dollar/ ZWL at a base rate of USD1:ZWL\$2.5. Another Exchange Control Directive RU 28 of 2019 was issued at the time which introduced an interbank market for trading US\$ as well as other currencies in the multi-currency regime.
- > On June 24 2019 the Government gazetted Statutory Instrument 142 of 2019 which outlawed the use of multi-currencies and compelled that all transactions be made in local currency (RTGS Dollar/ZWL).

Accounting Policies

2.1.1 Functional and presentation currency (continued)

As a result of these currency changes announced by the monetary authorities, the directors assessed as required by IAS 21 and consistent with the guidance issued by the Public Accountants and Auditors Board (PAAB), whether use of the US\$ as functional currency remained appropriate. Based on the assessment, the directors concluded that the Fund's functional currency became ZWL with effect from 1 October 2018. However, this could not be effected because, at law, there was no local currency in Zimbabwe until 22 February 2019. The inconsistency between the legal requirement and International Financial Reporting Standards (IFRS) from October 2018 to 22 February 2019 resulted in auditors expressing an adverse opinion on the financial statements.

Items included in the financial statements of the Fund are measured using the currency of primary economic environment in which the entity operates (the functional currency). The financial statements are presented in Zimbabwe Dollars (ZWL\$), which is the Fund's functional and presentation currency.

2.1.2 IAS 29 Hyperinflationary economies

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 (IFRSs) on the application of Financial Reporting in Hyperinflationary Economies Standard (IAS29) in Zimbabwe. The pronouncement, requires that companies that prepare and present financial statements for financial period ended on or after 1 July 2019 apply the requirements of IAS29 "Financial Reporting in Hyperinflationary economies."

The historical amounts were restated at the end of the reporting period to reflect the general change in purchasing power of the reporting currency (ZWL\$). Professional judgement was used and appropriate adjustments were made to historical financial statements in preparing financial statements which are IAS29 compliant.

Sources of price index

Indices used were obtained from the Zimbabwe Statistical Office for the period from February 2009 to December 2019.

Year	Indices	Conversion factor
Dec-17	61,13	9,02
Dec-18	88,81	6,21
Dec-19	551,63	1,00

2.2 New Standards and Interpretations

2.2.1 New and amended standards and interpretations effective for the first time for 31 December 2018 and 2019 year-ends and adopted by the Fund :

IFRS 16 Leases

In the current year, the Fund has adopted IFRS 16 Leases (as issued by the IASB in January 2016) with the date of initial application being 01 January 2019. IFRS 16 replaces IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases - Incentives and SIC 27 - Evaluating the Substance of Transactions Involving the Legal Form of a Lease.

2.2 New Standards and Interpretations (continued)

2.2.1 New and amended standards and interpretations effective for the first time for 31 December 2018 and 2019 year-ends and adopted by the Fund : (continues...)

IFRS 16 Leases (continues...)

IFRS 16 introduces new or amended requirements with respect to lease accounting. It introduces significant changes to the lessee accounting by removing the distinction between operating and finance leases and requiring the recognition of a right-of-use asset and a lease liability at the lease 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. Details of these new requirements are described in the accounting policy for leases. The impact of the adoption of IFRS 16 on the Fund's financial statements is described below.

The Fund has applied the practical expedient available in IFRS 16 which provides that for contracts which exist at the initial application date, an entity is not required to reassess whether they contain a lease. This means that the practical expedient allows an entity to apply IFRS 16 to contracts identified by IAS 17 and IFRIC 4 as containing leases; and to not apply IFRS 16 to contracts that were not previously identified by IAS 17 and IFRIC 4 as containing leases.

IFRS 16 has been adopted by applying the modified retrospective approach, whereby the comparative figures are not restated. Instead, cumulative adjustments to retained earnings have been recognised in retained earnings as at 01 January 2019.

Leases where Fund is lessor

IFRS 16 does not change substantially how a lessor accounts for leases. Under IFRS 16, a lessor continues to classify leases as either finance leases or operating leases and account for those two types of leases differently. However, IFRS 16 has changed and expanded the disclosures required, in particular regarding how a lessor manages the risks arising from its residual interest in the leased assets. These additional disclosures have been made by the Fund.

Under IFRS 16, an intermediate lessor accounts for the head lease and the sublease as two separate contracts. The intermediate lessor is required to classify the sublease as a finance or operating lease by reference to the right-of-use asset arising from the head lease (and not by reference to the underlying asset as was the case under IAS 17). Because of this change, the Fund has reclassified certain of its sublease agreements as finance leases. As required by IFRS 9, an allowance for expected credit loss has been recognised on the finance lease receivables.

Impact on financial statements

There change in the accounting standard has no significant impact on the financial statements.

2.3. Application of IFRS 16

The Fund assesses whether a contract is, or contains a lease, at the inception of the contract. A contract is, or contains a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

In order to assess whether a contract is, or contains a lease, management determine whether the asset under consideration is "identified", which means that the asset is either explicitly or implicitly specified in the contract and that the supplier does not have a substantial right of substitution throughout the period of use. Once management has concluded that the contract deals with an identified asset, the right to control the use thereof is considered. To this end, control over the use of an identified asset only exists when the Fund has the right to substantially all of the economic benefits from the use of the asset as well as the right to direct the use of the asset.

In circumstances where the determination of whether the contract is or contains a lease requires significant judgement, the relevant disclosures are provided in the significant judgments and sources of estimation uncertainty section of these accounting policies.

Accounting Policies

2.3. Application of IFRS 16 (continues...)

Fund as lessor

Leases for which the Fund is a lessor are classified as finance or operating leases. Whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases. Lease classification is made at inception and is only reassessed if there is a lease modification.

When the Fund is an intermediate lessor, it accounts for the head lease and the sublease as two separate contracts. The sublease is classified as a finance or operating lease by reference to the right-of-use asset arising from the head lease. If the head lease is a short-term lease to which the Fund applies the exemption described in IFRS 16, the sublease is classified as an operating lease. The various lease and non-lease components of contracts containing leases are accounted for separately, with consideration being allocated by applying IFRS 15.

Operating leases

Lease payments from operating leases are recognised on a straight-line basis over the term of the relevant lease, or on another systematic basis if that basis is more representative of the pattern in which the benefits from the use of the underlying asset are diminished. Operating lease income is included in other operating income (note 2).

Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and are expensed over the lease term on the same basis as the lease income.

2.4 Significant judgements and sources of estimation uncertainty

In preparing the financial statements, management is required to make estimates and assumptions that affect

Trade receivables, loans and other receivables

The Fund assesses its trade receivables, loans and other receivables for impairment at the end of each reporting period. In determining whether an impairment loss should be recorded in profit or loss, the Fund makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset.

The impairment for trade receivables, loans and other receivables is calculated on a portfolio basis, based on historical loss ratios, adjusted for national and industry-specific economic conditions and other indicators present at the reporting date that correlate with defaults on the portfolio.

Fair value estimation

The fair value of financial instruments traded in active markets (such as trading and available-for-sale securities) is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the Fund is the current bid price.

The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values.

Provisions

Provisions were raised and management determined an estimate based on the information available.

3.1 Financial instruments

Classification

The Fund classifies financial assets and financial liabilities into the following categories:

- Financial assets at fair value through profit or loss;
- Loans and receivables

Classification depends on the purpose for which the financial instruments were obtained / incurred and takes place at initial recognition. Classification is re-assessed on an annual basis, except for derivatives and financial assets designated as at fair value through profit or loss, which shall not be classified out of the fair value through profit or loss category.

Initial recognition and measurement

Financial instruments are recognised initially when the Fund becomes a party to the contractual provisions of the instruments.

Accounting Policies

3.1 Financial instruments (continues...)

Initial recognition and measurement (continues...)

The Fund classifies financial instruments, or their component parts, on initial recognition as a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual arrangement.

Financial instruments are measured initially at fair value, except for equity investments for which a fair value is not determinable, which are measured at cost and are classified as available-for-sale financial assets.

For financial instruments which are not at fair value through profit or loss, transaction costs are included in the initial measurement of the instrument.

Transaction costs on financial instruments at fair value through profit or loss are recognised in profit or loss.

Subsequent measurement

Financial instruments at fair value through profit or loss are subsequently measured at fair value, with gains and losses arising from changes in fair value being included in profit or loss for the period.

Net gains or losses on the financial instruments at fair value through profit or loss exclude dividends and interest.

Dividend income is recognised in profit or loss as part of other income when the Fund's right to receive payment is established.

Loans and receivables are subsequently measured at amortised cost, using the effective interest method, less accumulated impairment losses.

Derecognition

Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Fund has transferred substantially all risks and rewards of ownership.

Fair value determination

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the Fund establishes fair value by 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 making maximum use of market inputs and relying as little as possible on entity-specific inputs.

Impairment of financial assets

At each reporting date the Fund assesses all financial assets, other than those at fair value through profit or loss, to determine whether there is objective evidence that a financial asset or group of financial assets has been impaired.

For amounts due to the Fund, significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy and default of payments are all considered indicators of impairment.

Impairment losses are recognised in profit or loss.

Impairment losses are reversed when an increase in the financial asset's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to the restriction that the carrying amount of the financial asset at the date that the impairment is reversed shall not exceed what the carrying amount would have been had the impairment not been recognised.

Reversals of impairment losses are recognised in profit or loss except for equity investments classified as available-for-sale.

Where financial assets are impaired through use of an allowance account, the amount of the loss is recognised in profit or loss within operating expenses. When such assets are written off, the write off is made against the relevant allowance account. Subsequent recoveries of amounts previously written off are credited against operating expenses.

Accounting Policies

3.2 Trade and other receivables

Trade receivables are measured at initial recognition at fair value, and are subsequently measured at amortised cost using the effective interest rate method. Appropriate allowances for estimated irrecoverable amounts are recognised in profit or loss when there is objective evidence that the asset is impaired. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 120 days overdue) are considered indicators that the trade receivable is impaired. The allowance recognised is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in profit or loss within operating expenses. When a trade receivable is uncollectable, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against operating expenses in profit or loss.

Trade and other receivables are classified as loans and receivables.

3.3 Trade and other payables

Trade payables are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method.

3.4 Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. These are initially and subsequently recorded at fair value.

3.5 Money market instruments

Money market instruments are generally fixed rate and are measured at amortised cost using the effective interest rate method.

3.6 Taxation

Effective from 1 January 2014 the Investor Protection Fund was established as a separate legal entity from the Securities and Exchange Commission of Zimbabwe (the Commission). The Fund was up to that point exempt from corporate tax when it was a part of the Commission as the Commission is exempt from corporate tax. In terms of the letter dated 24 July 2019 from the Ministry of Finance, the income tax exemption that was granted to the Fund prior promulgation of the securities Amendment Act still subsists, hence the Fund also as a separate legal entity is exempt for tax purposes.

3.7 Offset

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

3.8 Unclaimed shares

Unclaimed share certificates are not assets of the Fund; however the Fund does have responsibility for their safe custody until the date of collection by respective investors. They are accounted for as off statement of financial position items and are carried at the fair value of the underlying listed equity counters. The resultant dividends from the unclaimed share certificates are also not income for the Fund and are carried at amortized cost as an off statement of financial position item.

Accounting Policies

3.9 Investor Protection Income

Income comprises of levies for services rendered in the ordinary course of the Fund's activities. Income is measured by reference to the fair value of the consideration received or receivable by the fund for services provided, excluding rebates and trade discounts.

In terms of Statutory Instrument 108 of 2014 every registered contributor is liable to pay contributions for the fund at the rate of 0.025% of total value of trades.

3.10 Investment properties

Investment property is recognised as an asset when, and only when, it is probable that the future economic benefits that are associated with the investment property will flow to the Fund, and the cost of the investment property can be measured reliably.

Property investments comprise of investments in property units and investment property. The investments held to earn rentals or capital appreciation and are initially measured at cost, including transaction costs and subsequently at fair value with the gains and losses arising from changes in the fair value of the investments being recognised in profit or loss in the reporting period in which they arise. Rental income from the investments is accounted in profit or loss.

3.11 Provisions

A provision is recognised in the statement of financial position when the Fund has a legal or constructive obligation as a result of past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

3.12 Rental income

Rental income arising from operating leases on investment properties is accounted for on straight line basis over the lease terms.

3.13 Interest income

Interest income from Fund deposited is recognised on accrual basis.

3.14 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 Fund has related party relationships with its key management, Fund Directors, Fund Secretaries, the Ministry of Finance and the Securities and Exchange Commission of Zimbabwe.

3.15 Uses of estimates and judgements

The preparation of financial statements require Directors 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 prospectively.

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Notes to financial statements

Figures in ZWL Dollar

	Inflation adjusted		Historical	
	2019	2018	2019	2018
1 Interest income				
Interest from money market investments	474 997	2 593 664	171 715	317 851
	<u>474 997</u>	<u>2 593 664</u>	<u>171 715</u>	<u>317 851</u>
2 Sundry income				
Dividends	1 142 665	4 060 465	604 855	497 606
Rent	156 372	422 019	87 221	51 718
Other income	67 059	16 483	248 078	2 020
	<u>1 366 096</u>	<u>4 498 967</u>	<u>940 154</u>	<u>551 344</u>
3 Board fees				
Retainer	138 131	163 200	70 200	20 000
Sitting allowances	62 786	53 040	37 239	6 500
Subcommittee fees	18 457	50 592	9 380	6 200
	<u>219 374</u>	<u>266 832</u>	<u>116 819</u>	<u>32 700</u>
Board Costs				
Directors expenses	20 354	-	10 839	-
Smith LG	5 821	53 448	3 100	6 550
Kaliati M	29 398	45 288	15 655	5 550
Sibanda Dr W*	-	27 336	-	3 350
Bgoni J	29 426	-	15 670	-
Zhou NPS	30 516	-	16 250	-
Ziyambi VC	32 300	-	17 200	-
Chinamo T	34 084	48 144	18 150	5 900
Zvareva N	33 915	39 046	18 060	4 785
Matanda M	3 559	53 570	1 895	6 565
	<u>219 373</u>	<u>266 832</u>	<u>116 819</u>	<u>32 700</u>
*Deceased				
4 Asset management fees				
ABC Asset Management	267 943	383 153	104 486	46 955
Old Mutual Investment Group	180 143	255 481	70 248	31 309
Atria Asset Management	196 731	276 175	76 717	33 845
	<u>644 816</u>	<u>914 809</u>	<u>251 451</u>	<u>112 109</u>
5 Other expenditure				
Awareness and Education campaign	-	1 776 187	-	217 670
Directors' expenses	15 976	1 934	4 074	237
Property expenses	349 978	109 572	102 850	13 428
Trip to Capital Markets Authority, Kenya	-	140 091	-	17 168
Credit loss allowance	12 476	77 901	12 476	9 547
Three Anchor (Old Mutual Custodial Services) fees	54 296	-	21 173	-
Advertisement expenses	3 611	-	1 900	-
Legal fees	34 909	108 993	34 909	13 357
Intellego Investments Consultants	50 574	31 906	19 722	3 910
	<u>521 820</u>	<u>2 246 584</u>	<u>197 104</u>	<u>275 317</u>
6 Custodial services costs				
Stanbic Nominees (Private) Limited	30 224	111 825	11 786	13 704
Chengetedzai	55 775	48 960	21 750	6 000
	<u>85 999</u>	<u>160 785</u>	<u>33 536</u>	<u>19 704</u>

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Notes to financial statements Figures in ZWL Dollar	Inflation adjusted		Historical	
	2019	2018	2019	2018
7 Cash and cash equivalents				
7.1 Cash and Bank				
Stanbic Bank (main)	3 087	806 196	3 087	98 799
Nedbank	167 606	-	167 606	-
Stanbic Bank (unclaimed shares)	-	5 579	-	684
	<u>170 693</u>	<u>811 775</u>	<u>170 693</u>	<u>99 482</u>
7.2 Call Accounts				
Old Mutual Investment Group	883 973	4 175 275	883 973	511 676
Atria	611 770	3 813 858	611 770	467 385
Banc ABC	235 230	1 694 929	235 230	207 712
Cabs Call Account	162 419	-	162 419	-
Datvest	9	76	9	9
	<u>1 893 401</u>	<u>9 684 138</u>	<u>1 893 401</u>	<u>1 186 781</u>
7.3 Cash and cash equivalents				
Cash and Bank	170 694	811 775	170 694	99 482
Call accounts 225	1 893 401	9 684 137	1 893 401	1 186 781
	<u>2 064 095</u>	<u>10 495 912</u>	<u>2 064 095</u>	<u>1 286 264</u>
8 Money Market Investments				
Atria Asset Management	200 370	2 410 219	200 370	295 370
ABC Asset Management	39 360	563 187	39 360	69 018
Old Mutual Investment Group	222 578	1 348 717	222 578	165 284
	<u>462 308</u>	<u>4 322 123</u>	<u>462 308</u>	<u>529 672</u>
9 Accounts payable				
Management fees and custodial fees outstanding	40 332	132 086	40 332	16 187
Levies overpaid	141	5 467	141	670
Unclaimed shares dividends	-	10 657	-	1 306
Share purchases	14 244	-	14 244	-
PKF internal audit fees	3 420	20 555	3 420	2 519
Levies without information	5 038	55 540	5 038	6 806
Credit without enough information	6 144	-	6 144	-
Audit fees provision	140 841	94 101	140 841	11 532
	<u>210 160</u>	<u>318 406</u>	<u>210 159</u>	<u>39 020</u>
10 Trade and other receivables				
Levies outstanding	116 475	537 478	116 475	65 867
Credit loss allowance	(12 476)	(77 901)	(12 476)	(9 547)
	<u>103 999</u>	<u>459 577</u>	<u>103 999</u>	<u>56 321</u>
Rent receivable	21 489	29 335	21 489	3 595
Funds over paid to Unclaimed Shares	12 337	-	12 337	-
ZSE Bond interest receivable	11 178	140 148	11 178	17 175
Interest due from money market investments	16 920	143 412	16 920	17 575
	<u>165 923</u>	<u>772 472</u>	<u>165 923</u>	<u>94 666</u>

Notes to financial statements

Figures in ZWL Dollar

		Inflation adjusted			
		31-Dec-19	31-Dec-18		
11	Consolidated position- Investments				
11.1	Quoted investments				
	Counter	Number of shares	Market Value	Number of shares	Market Value
	Axia Corporation Limited	752 721	481 741	341 060	2 521 614
	Bindura Nickel Corporation Limited	1 432 235	231 736	747 007	588 833
	British American Tobacco Zimbabwe	4 902	234 071	4 902	1 320 011
	Cassava Smartech Zimbabwe	928 972	1 303 348	599 690	6 994 630
	CBZ Holdings Limited	334 779	139 058	199 480	252 302
	Cottco Holdings Ltd	662 138	-	591 995	-
	Dairibord Holdings Limited	255 866	109 383	255 866	343 454
	Delta Corporation Limited	790 694	2 688 834	631 334	14 459 960
	Econet Wireless Zimbabwe Limited	1 142 859	1 682 060	779 225	9 063 027
	Edgars Stores Limited	90 431	18 991	86 125	71 684
	Fbc Holdings Limited	612 880	399 904	612 880	1 750 385
	First Capital Bank	1 418 730	141 164	1 418 730	683 033
	Hippo Valley Estates Limited	41 258	80 454	41 258	575 698
	Innsco Africa Limited	495 014	1 743 291	468 735	7 076 024
	Mashonaland Holdings Limited	-	-	739 312	173 744
	Meikles Limited	65 323	163 961	24 749	102 995
	Nampak Zimbabwe	311 395	224 204	311 395	762 295
	National Foods Holdings Limited	20 436	184 128	8 788	509 464
	Nedbank Group Ltd	2 855	675 842	2 855	444 449
	NMBZ Limited Holdings	293 569	120 363	282 278	552 813
	OK Zimbabwe Limited	1 218 057	672 855	961 626	2 155 545
	Old Mutual Plc	74 497	2 719 162	88 946	5 745 192
	Padenga Holdings Limited	829 721	2 032 816	919 397	6 376 938
	PPC Limited	77 234	308 936	77 234	1 197 436
	Quilter PLC	36 127	1 100 571	36 127	447 966
	Seedco Co Limited	201 097	382 587	211 819	3 571 517
	Seedco International Limited	199 516	599 545	199 516	2 800 247
	Simbisa Brands Limited	738 665	923 331	541 425	3 196 768
	TSL Limited	106 425	80 616	106 425	523 228
	Total Quoted Investments		19 442 950		74 261 251
11.2	Unquoted investments				
	Astra	231 135	281 985	231 135	493 771
	Grand total quoted and unquoted investments		19 724 935		9 161 155
11.3	Commodities	Units	Market Value	Units	Market Value
	Riverside-Atria	382 149	955 759	688 034	2 591 022
	Linked Debenture Note	33 500	351 750	-	-
			1 307 509		2 591 022

Notes to financial statements

Figures in ZWL Dollar

11 Consolidated position- Investments (Continued)

11.1 Quoted investments (continued)

Counter	Historical			
	31-Dec-19		31-Dec-18	
	Number of shares	Market Value	Number of shares	Market Value
Axia Corporation Limited	752 721	481 741	341 060	309 021
Bindura Nickel Corporation Limited	1 432 235	231 736	747 007	72 161
British American Tobacco Zimbabwe	4 902	234 071	4 902	161 766
Cassava Smartech Zimbabwe	928 972	1 303 348	599 690	857 185
CBZ Holdings Limited	334 779	139 058	199 480	30 919
Cottco Holdings Ltd	662 138	-	591 995	-
Dairibord Holdings Limited	255 866	109 383	255 866	42 090
Delta Corporation Limited	790 694	2 688 834	631 334	1 772 054
Econet Wireless Zimbabwe Limited	1 142 859	1 682 060	779 225	1 110 665
Edgars Stores Limited	90 431	18 991	86 125	8 785
Fbc Holdings Limited	612 880	399 904	612 880	214 508
First Capital Bank	1 418 730	141 164	1 418 730	83 705
Hippo Valley Estates Limited	41 258	80 454	41 258	70 551
Innsco Africa Limited	495 014	1 743 291	468 735	867 160
Mashonaland Holdings Limited	-	-	739 312	21 292
Meikles Limited	65 323	163 961	24 749	12 622
Nampak Zimbabwe	311 395	224 204	311 395	93 419
National Foods Holdings Limited	20 436	184 128	8 788	62 434
Nedbank Group Ltd	2 855	675 842	2 855	54 467
NMBZ Limited Holdings	293 569	120 363	282 278	67 747
OK Zimbabwe Limited	1 218 057	672 855	961 626	264 160
Old Mutual Plc	74 497	2 719 162	88 946	704 068
Padenga Holdings Limited	829 721	2 032 816	919 397	781 487
PPC Limited	77 234	308 936	77 234	146 745
Quilter PLC	36 127	1 100 572	36 127	54 898
Seedco Co Limited	201 097	382 587	211 819	437 686
Seedco International Limited	199 516	599 545	199 516	343 168
Simbisa Brands Limited	738 665	923 331	541 425	391 761
TSL Limited	106 425	80 616	106 425	64 121
Total Quoted Investments		19 442 950		9 100 644
11.2 Unquoted investments				
Astra	231 135	281 985	231 135	60 511
Grand total quoted and unquoted investments		19 724 935		9 161 155
11.3 Commodities	Units	Market Value	Units	Market Value
Riverside-Atria	382 149	955 759	688 034	317 527
Linked Debenture Note	33 500	351 750	-	-
		1 307 509		317 527

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Figures in ZWL Dollar

11 Consolidated position- Investments (continues...)

11.4 Property investments

11.4.1 Unit properties

	Inflation adjusted				Historical			
	31-Dec-19		31-Dec-18		31-Dec-19		31-Dec-18	
ABC Asset Management	Units	Market Value	Units	Market Value	Units	Market Value	Units	Market Value
Brick and Mortar property units	64 712	125 320	64 712	528 050	64 712	125 320	64 712	64 712
Willowvale Industrial	16 460	459 707	16 490	171 969	16 460	459 707	16 490	21 075
Motor City property units	32	2 807 801	32	1 457 015	32	2 807 801	32	178 556
Zimtile property	2 674	203 415	3 614	26 713	2 674	203 415	3 614	3 274
Mount pleasant	5	857 731	5	485 891	5	857 731	5	59 545
Kingsmead clusters	17 032	1 080 137	17 032	417 449	17 032	1 080 137	17 032	51 158
		<u>5 534 110</u>		<u>3 087 087</u>		<u>5 534 110</u>		<u>378 319</u>
Old Mutual Investment Group				-				
Real Estate Co-Fund	10 000	2 595 052	10 000	2 853 062	10 000	2 595 052	10 000	349 640
Total unit properties		<u>8 129 162</u>		<u>5 940 149</u>		<u>8 129 162</u>		<u>727 959</u>
Reconciliation of carrying amount of unit properties								
Balance at 1 January 2019		727 959		5 819 883		727 959		713 221
Purchase of units in investments properties		521 000		8 924		521 000		1 094
Fair value gain		7 114 003		111 342		7 114 003		13 645
Sale of property		(233 800)		-		(233 800)		-
Balance as 31 December 2019		<u>8 129 162</u>		<u>5 940 149</u>		<u>8 129 162</u>		<u>727 959</u>

Investments in property units comprise of the units purchased from different properties. The Fund purchases units in the properties from which it earns rental income which is proportional to the units held. Units in investments properties can be disposed at any time as there is no fixed renewal periods. Further information of investments in property units held by the Fund are illustrated here above .

11.4.2 Directly-owned properties	<u>10 831 514</u>	<u>11 053 944</u>	<u>10 831 514</u>	<u>1 354 650</u>
Balance as at 1 January 2019	1 354 650	2 911 529	1 354 650	356 805
Acquisitions	-	6 661 367	-	816 344
Fair value gain	9 476 864	1 481 050	9 476 864	181 501
Balance as at 31 December 2019	<u>10 831 514</u>	<u>11 053 944</u>	<u>10 831 514</u>	<u>1 354 650</u>

Notes to financial statements Figures in ZWL Dollar	Inflation adjusted		Historical	
	2019	2018	2019	2018

11 Consolidated position- Investments (continues...)

11.4 Property investments (continues...)

The Fund purchased 24 stands at Riverside in the previous year at a total cost of \$816 344 and the stands were revalued at year end to \$6 015 513.62 (31 December 2018 : \$1 024 650). The Fund also purchased Lot 92 Highlands Estate from the Securities Exchange of Zimbabwe (SECZ) for a purchase price of \$356 805 in 2018 and no revaluation has been done to date. The property was being rented out to Display Wonderland beginning 1 March 2019, for a monthly rental fee of US\$800.00 which was later on adjusted to ZWL4 800.00. The Highlands Estate property has a value of \$4,816,000 as at 31 December 2019 (31 December 2018 : \$330 000).

Valuation technique

The last fair valuations of the Highlands Estate and Riverside stands were done as at 31 December 2018 by Dawn Property Consultants (Pvt) Limited and Artria Africa respectively. These valuations were categorized under level 3 of the fair value hierarchy based on inputs to the valuation technique used.

Lot 92 Highlands Estate

The direct comparison method was applied in measuring the property, after the identification of various properties that have been sold or which were on sale and situated in comparable areas. This method was also combined with the gross replacement cost method, where the estimated value is based on the estimated cost of erecting the building, or a modern substitute building having the same gross internal area as that existing, and the ancillary site works together with the relevant professional fees and other associated expenses directly related to the construction of the building and site works.

Riverside stands

The direct comparison method is applied in measuring the property, after the identification of various properties that have been sold or which were on sale and situated in comparable areas.

11.5 Fair value of investments

Increase /(decrease) in fair value of investments

Atria Asset Management	4 734 814	13 131 480	4 734 814	1 609 250
ABC Asset Management	3 229 860	10 609 151	3 229 860	1 300 141
Old Mutual Investment Group	1 989 985	10 003 719	1 989 985	1 225 946
Owner managed property	16 432 877	(218 729)	16 432 877	(26 805)
	<u>26 387 536</u>	<u>33 525 621</u>	<u>26 387 536</u>	<u>4 108 532</u>

12 Loan

Non current asset

Secured loan-Zimbabwe Stock Exchange

- - - -

Current Asset

Secured loan-Zimbabwe Stock Exchange

-	12 240 000	-	1 500 000
<u>-</u>	<u>12 240 000</u>	<u>-</u>	<u>1 500 000</u>

The Board of Directors of the Investor Protection Fund approved a loan to the ZSE of US\$1 500 000 (one million and five hundred thousand United States Dollars) with a coupon rate of 8% per annum. The loan was for the purpose of purchasing and setting up an Automated Trading System. The loan is secured by a charge over a Sinking Fund and all risk insurance policy over the software and hardware acquired by the ZSE. The loan matured on 9 November 2019 and capital amount plus part of interest was settled before end of December 2019. The remaining interest was paid in January 2020.

Notes to financial statements

Figures in ZWL Dollar

13 Risk management

13.1 Financial risk management

The main risks arising from the Fund's financial instruments are market risk (which includes currency risk and interest rate risk), credit risk and liquidity risk. The Fund does not use derivative financial instruments for speculative purposes. The Board of Directors has the overall responsibility for the establishment and oversight of the Fund'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.

The Fund's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Fund's financial performance. Risk management is carried out by Directors. The Directors provides principles for overall risk management, as well as policies covering specific areas, such as market risk, interest rate risk, credit risk, and investment of excess liquidity.

Currency risk

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

Interest rate risk

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

Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions.

The Fund's risk to liquidity is a result of the funds available to cover future commitments. The Fund manages liquidity risk through an ongoing review of future commitments and credit facilities.

Credit risk

Credit risk consists mainly of cash deposits, cash equivalents, derivative financial instruments and trade debtors. The Fund only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party.

Trade receivables comprise a widespread customer base. Management evaluates credit risk relating to customers on an ongoing basis. Independent rating is inapplicable so the Board assesses the credit quality of the customer, taking into account its financial position, past experience and other factors.

Notes to financial statements

Figures in ZWL Dollar

13 Risk management (continues...)

13.2 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:

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

Carrying amount	Inflation adjusted		Historical	
	2019	2018	2019	2018
Trade receivables	115 675	991 212	115 675	121 472
Cash and cash equivalents	2 064 095	10 495 912	2 064 095	1 286 264
ZSE Bond	-	12 240 000	-	1 500 000
Investments	29 623 915	87 608 314	29 623 915	10 736 313
	31 803 685	111 335 437	31 803 685	13 644 049

Impairment costs

The ageing of trade receivables at the reporting date was as follows:

	Inflation adjusted		Historical	
	Gross 2019	Provision 2019	Gross 2018	Provision 2018
Not past due 0-30 days	95 344	-	906 821	-
Past due 31-120 days	7 855	-	6 489	-
More than 120 days	12 476	12 476	77 901	77 901
	115 675	12 476	991 211	77 901

	Inflation adjusted		Historical	
	Gross 2019	Provision 2019	Gross 2018	Provision 2018
Not past due 0-30 days	95 344	-	111 130	-
Past due 31-120 days	7 855	-	795	-
More than 120 days	12 476	12 476	9 547	9 547
	115 675	12 476	121 472	9 547

13.3 Liquidity risk

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

	Inflation adjusted		Historical	
	Carrying amounts	Payable within 12 months	Carrying amounts	Payable within 12 months
31-Dec-19 Payables	223 914	210 159	223 914	210 159
	223 914	210 159	223 914	210 159
31-Dec-18 Payables	318 407	318 407	39 020	39 020
	318 407	318 407	39 020	39 020

Notes to financial statements	Inflation adjusted		Historical	
Figures in ZWL Dollar	2019	2018	2019	2018

13 Risk management (continues...)

13.3 Exposure to currency risk

The company is exposed to currency risk related to certain bank accounts which are denominated in a foreign currency.

The net carrying amounts, in Zimbabwe Dollar, of cash and cash equivalents, are denominated in the following currencies. The amounts have been presented in Zimbabwe Dollar by converting the foreign currency amount at the closing rate at the reporting date.

Zimbabwe Dollar amount

US Dollar	635 194	-	635 194	-
Rand	966 909	-	966 909	-
	<u>1 602 103</u>	<u>-</u>	<u>1 602 103</u>	<u>-</u>

The net carrying amounts, in foreign currency of the above exposure was as follows:

Foreign currency amount

US Dollar	47 639	-	47 639	-
Rand	59 200	-	59 200	-

The following closing exchange rates were applied at reporting date:

Zimbabwe Dollar per unit of foreign currency:

US Dollar	16,77	-	16,77	-
Rand	0,84	-	0,84	-

14 Related Party Disclosures

14.1 Ministry of Finance and other Regulators

There were no transactions directly with the Ministry of Finance during the year.

14.2 Key management personnel

Key management personnel responsible for the day to day management of the Fund. These individuals and the Board of the Fund are responsible for the operational and strategic decisions of the Fund.

Compensation of key management personnel of the Fund

Fund Secretary fees	474 126	582 624	212 124	71 400
Board fees (note 3)	219 374	266 832	116 819	32 700

There were no loans to Fund Directors during the year

14.3 Loans to related entities

A related party relationship exists between the Fund and the Zimbabwe Stock Exchange as a result of common officers, namely, the Chief Executive Officer of the Zimbabwe Stock Exchange is a member of key management personnel of the Fund. The amount advanced to the Zimbabwe Stock Exchange amounted to US\$ 1 500 000. Further details of the terms and conditions of the loan are included in note 12.

15 Unclaimed share portfolio

15.1 Ministry of Finance and other Regulators

The Investor Protection Fund, as legally set up seeks to protect public investors. In this regard, the custodian fees are paid by the Fund. The assets currently within the unclaimed share portfolio do not form part of the Fund's assets. The role of the Fund is to pay the custodial fees and provide general oversight of the unclaimed share portfolio. Custodial fees paid for unclaimed shares are disclosed on note 6.

Notes to financial statements

Figures in ZWL Dollar

15 Unclaimed share portfolio (continues...)

15.1 Ministry of Finance and other Regulators (continues...)

The Commission directed all Stockbrokers to surrender any unclaimed share certificates to appointed custodians these being Old Mutual Custodial Services and Commercial Bank of Zimbabwe (CBZ) Custodial Services. The Fund began the process of dematerialization in 2016 and completed the process in 2019, whereby the individual physical securities were converted to electronic format.

The table below shows the reconciliation of unclaimed shares after completion of the dematerialisation process:

15.2 Reconciliation of unclaimed share certificates

	2019	2018
Market Value		
Portfolio Valuation Opening Balance	22 782 892	21 115 510
Portfolio Valuation Closing Balance	32 062 597	22 782 892

15.3 Dividends from unclaimed shares

During the year the Fund received dividends from various entities for unclaimed shares. The Fund handed over cash received as dividends from the unclaimed share portfolio to the 3 asset managers. The total dividend received during the year is as below:

Dividend received	368 590	41 794
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15.4 Number of share certificates

	Share certificates	
Opening Balance	20 739	21 740
Transfer in	-	783
Invalid and delisted	-	(1 654)
Certificates collected	(709)	(130)
Closing Balance	20 030	20 739

15.5 Dematerialisation of share certificates

Share certificates dematerialised successfully	19 956	19 882
Share certificates captured but not yet approved	-	-
Share certificates not yet dematerialised	74	74
Corporate actions transfers In	-	-
Total share certificates as at 31 December	20 030	19 956

16 Assessment of non-trading shares.

The following equity investments have become non-trading shares on the ZSE:

Non trading shares	2551	2551
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17 Going concern

The financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

The ability of the Fund to remain as a going concern is dependant on a number of factors. The most significant of these is that the Directors continue to procure funding for the ongoing operations of the Fund.

Notes to financial statements

Figures in ZWL Dollar

18 Events after the end of the reporting period

The corona virus pandemic

The outbreak of the Covid-19 has been declared as a "Public Health Emergency of International Concern". The government of Zimbabwe, on 17 March declared the outbreak of the corona virus a National Disaster. The impact of this virus is dependent on certain developments which include but not limited to the duration and spread of the outbreak and its impact on the Fund's stakeholders. The related financial impact cannot be reasonably estimated at this stage, however, it is likely that the virus will have a significant impact on the Fund.