



# ANNUAL REPORT

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## 2020

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# AYOBA MHOBA

## EPISODE 01

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# 1. Chairman's Statement



On behalf of my fellow Commissioners, I am pleased to present this report outlining the activities and achievements of the Securities and Exchange Commission of Zimbabwe (SECZ) in 2020.

The year started off on a foreboding note, due to the corona virus (Covid 19) that was first detected in China in the last months of 2019. The first Covid 19 cases and death were recorded in the country in March 2020. Subsequently, a total lockdown was announced. Restrictions would be periodically eased or enhanced throughout the year, as the infection cases spiked or decreased.

The pandemic irreversibly changed the way business was conducted. The biggest impact on the SECZ was a result of the protocols that prohibited or restricted in person meetings/ engagements. Traditionally, investor education and awareness campaigns were held physically in-person. The SECZ quickly embraced online platforms, following the global trend. Most stakeholder engagements and SECZ meetings were successfully held virtually.

The Commissioners executed their first Board Contract with the Minister, as dictated by the Public Entities and Corporate Governance Act. This was after they received training on the IRBM that is the basis of performance monitoring and measurement in the public sector.

Government suspended trading on the Zimbabwe Stock Exchange (ZSE) in June 2020, for a period of 5 weeks. The Authorities advised that this was due to two reasons, the perceived impact of the Old Mutual Implied Rate (OMIR) and mobile money transactions. The OMIR was allegedly used to set the parallel market exchange rate, which was seen to be moving huge volumes and values of trades on the ZSE. SECZ advised the authorities that there were no mobile money transactions on the ZSE.

The suspension of trades on the ZSE had an adverse effect on the fee up to resumption activity; the Old Mutual, PPC and Seedco counters remained suspended.

The third quarter saw the onboarding of the Head of Investor Education, as well as the Human Resources Officer. I am pleased to advise that investor education and awareness initiatives immediately took off with the required impetus as a result. Online platforms were utilised to conduct stakeholder engagements, webinars for discussions and radio for dramas. Collaboration with, among others, the RBZ and IPEC on financial inclusion was implemented and progress registered.

The second AGM was successfully held virtually on the 29th of September 2020 and the few areas that were pointed out the offices of the Corporate Governance Unit (CGU) and the Accountant General as requiring improvement were mostly resolved by the year end.

The physical launch of the 101 Handbook in December, in Bulawayo, was a notable milestone for the SECZ. This auspicious occasion was graced by the presence of the Minister of Finance and Economic Development.

On the human resources front, the SECZ was saddened by the passing on of Mr. B. Purazeni, an Officer in the Supervision and Surveillance Department, in July. Three officers were subsequently recruited in the same Department, to enhance operations. A Legal Officer, Mr. T. Mudonhi, left the Commission for greener pastures.

Commissioners Pearson Chitando and Harrison Nkomo retired from the Board of Directors of SECZ at the expiry of their second and final four-year terms of office on 31st July 2020. The Board of Directors and I acknowledge and thank them for their immense contribution to the oversight role of the Board in general, and their institutional memory, having been first appointed in 2012. I equally extend my profound gratitude to the rest of the Commissioners, Management and all staff, for the resilience that saw the SECZ achieving its targets in a tough pandemic environment.

I hope 2021 brings good tidings for the country and the world at large, as the scientific interventions appear to be registering positive impact on the pandemic that continued to rage into the new year

L.T. Gwata  
Chairman

## 2. SECZ's Role and Responsibilities

SECZ is Zimbabwe's capital markets regulator. SECZ is established under the Securities and Exchange Act, Chapter 24: 25.

### 2.1 Our Vision

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

### 2.2 Our Mission

To protect investors through effective regulation of capital markets.

### 2.3 Our legislative mandate

- i. Provide high levels of investor protection
- ii. Reduce systemic risk
- iii. Promote market integrity and investor confidence
- iv. Prevent market manipulation, fraud and financial crime
- v. Ensure transparency in capital and securities markets and
- vi. Promote investor education.

### 2.4 Our legislative responsibilities

To achieve the mandate, there are functions ascribed to the SECZ in terms of Section 4(2) of the same Act. These are to;

- i. Regulate trading and dealing in securities
- ii. Register, supervise and regulate securities exchanges
- iii. License, supervise and regulate licensed persons in order to ensure high standards of professionalism and integrity on their part.
- iv. Encourage the development of free, fair and orderly capital and securities markets in Zimbabwe
- v. Advise the Government on all matters relating to securities and any other function that maybe conferred or imposed upon the SECZ.

### 2.5 Our regulatory approach

Guided by our values of Fairness, Accountability, Competence, Integrity and Teaming our single desired outcome is "Increased Participation in Capital Markets". This outcome will manifest through undertaking investor education campaigns, automating systems, market players launching new products and services and publishing necessary rules and regulations that foster the participation in our markets by all economic players including local and foreign investors.

Our outcome will have a positive impact on several national priorities namely: Sustainable Economic Growth, Good Governance, Inclusive Growth and Poverty Reduction, Moving the Economy up the Value Chain, Quality of Life and Country Image and Standing Regionally and Internationally.

Ultimately achieving this outcome reduces to each member of staff playing their part. To direct this process, we drew up activities that cut across the entire SECZ structure. These activities will achieve five desire measurable outputs namely: Rules and regulations developed and published, Membership to international standard setting bodies attained, Processes automated, Education campaigns conducted, and Staff developed.

### 2.6 SECZ Corporate Plan

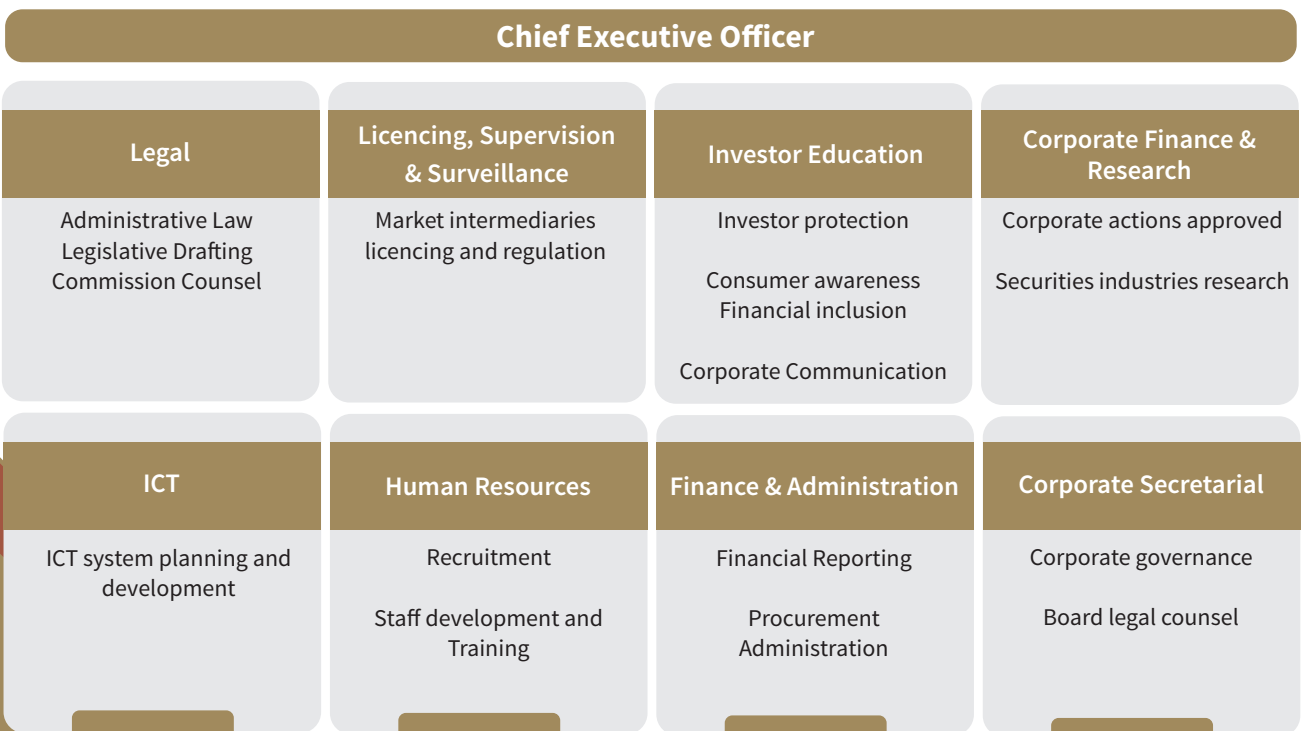
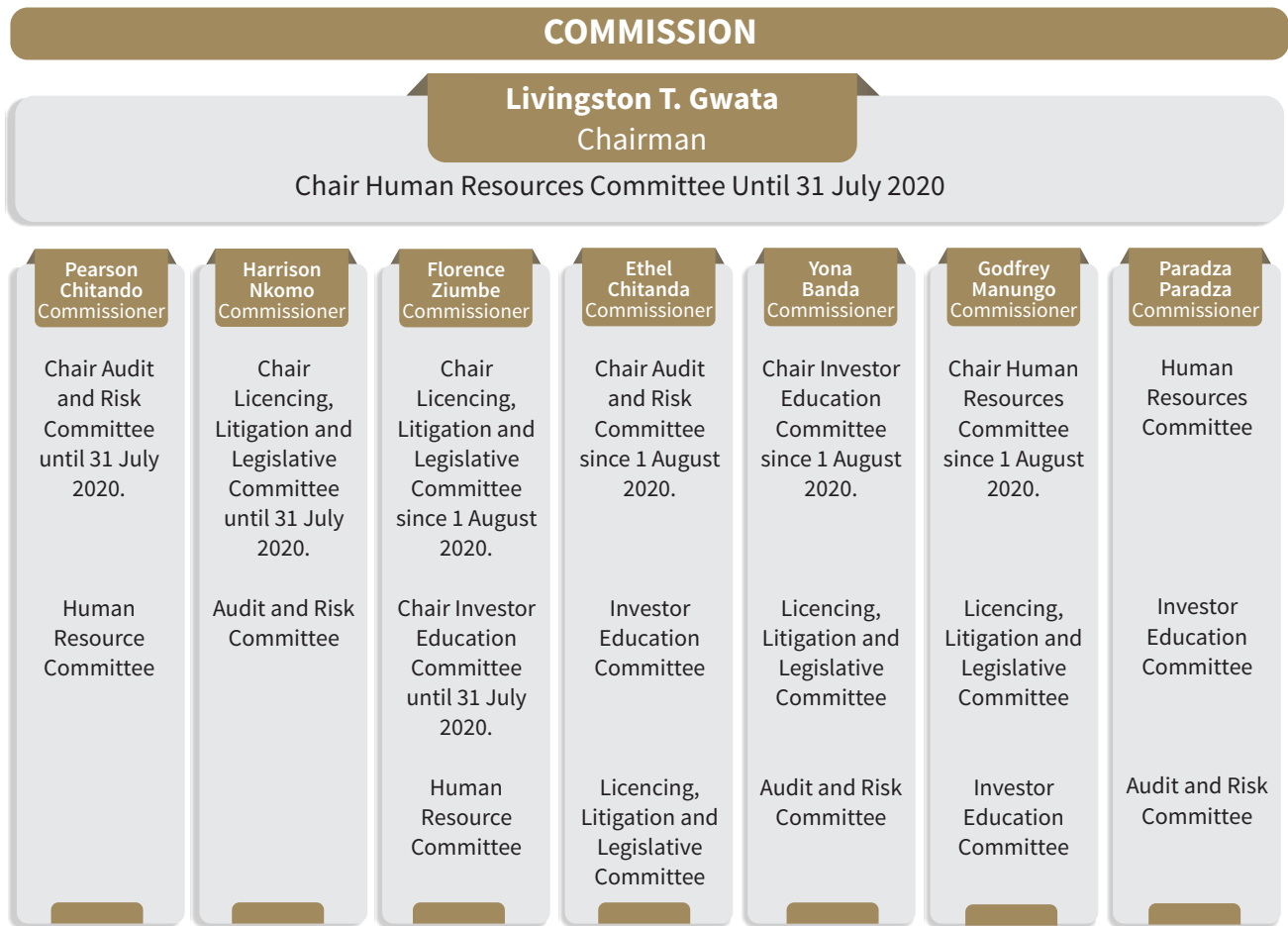
Our strategy is a cog in the national machinery that we are helping to assemble with the intention of powering our economy towards the goal of becoming an upper-middle income society by 2030. As the regulator of capital market, a market created to channel capital from savers/investors to the productive sector, our role is critical if the nation is to achieve its vision.

We are led by our own vision and mission, themselves rallying cries of our desire to develop our country. We have sharpened our vision to become a reality by 2030. Likewise, we have simplified our mission to be a call to action and constant reminder of why we exist. Having statements of purpose that speak to our core has made it easier to come up with unpolluted Key Result Areas.

The Commission is concentrating 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.

# 3. SECZ's Structure and Management

## 3.1 SECZ organisational structure



### 3.2 SECZ Commissioners



#### **Livingstone Gwata**

Chairman  
B.Admin, CAIB, AIBZ, FIBZ

Livingstone Gwata was appointed Commissioner and Chairman on 1 November 2016



#### **Pearson Chitando**

BSC. (Econ) Hons.  
Accountancy  
CA

Pearson Chitando retired from SECZ on 31 July 2020. He was appointed as a commissioner on 1 February 2012



#### **Harrison Nkomo**

LLBS(Hons)

Harrison Nkomo retired from SECZ on 31 July 2020. He was appointed as a commissioner on 1 February 2012



#### **Florence Ziumbe**

B.L (Hons); LLB

Florence Ziumbe was appointed as a commissioner on 1 November 2016



#### **Ethel Chitanda**

B. Accounting Science (Hons)  
CA

Ethel Chitanda was appointed Commissioner on 1 November 2016



#### **Yona Banda**

Bsc Economics, MBA Cert.  
Project Financing UNDP

Yona Banda was appointed Commissioner on 1 November 2016



#### **Godfrey Manungo**

Msc Human Resources  
Development, BA, IPMZ  
Diploma; MIPMZ

Godfrey Manungo was appointed as a commissioner on 1 July 2013



#### **Paradza Paradza**

PhD, MBA, B.Business Studies  
& Computers, Diploma in  
Banking (IOBZ), FISCA (ICSAZ)

Paradza Paradza was appointed as a Commissioner on 1 November 2016

### 3.3 SECZ Executive Committee

#### Chief Executive Officer



**Tafadzwa Chinamo**  
Bsc, MSc

#### Corporate Secretary



**Cordelia Mutangadura**  
BL Hons, LLB

#### Head of Licencing Supervision and Surveillance



**Norman Maferefa**  
Bcom, MSc

#### Head of Finance and Administration



**Gerald Dzangare**  
Bsc, FCCA, MBA

#### Head of Legal



**Lyina Madende**  
LLBS, MBA, MIR

#### Head of ICT



**Brian Gava**  
Bsc, EMBA

#### Head of Investor Education



**Farai Mpofu**  
BA (Hons)

#### Head Of Corporate Finance and Research



**Kundai Msemburi**  
Bsc, MSc



### 3.4 SECZ governance

#### **Board Meetings**

The Board met 5 times in ordinary and once in a special meetings. One of the special meetings was the second Annual General Meeting that was held on 29 September. The Commission met the statutory requirement regarding meetings.

#### **Audit & Risk Management Committee**

The Committee's mandate is to assist the SECZ Board to discharge its duties relating to the safeguarding of assets, the operation of adequate systems and controls, risk management, the assessment of going concern status, oversight of internal and external audit and the reviewing of financial information and preparation of annual financial statements which shall be provided to all stakeholders.

The Committee Chairman P. Chitando and a member H. Nkomo retired from the SECZ on 31 July. Comm. Chitanda assumed the Chairmanship from 01 August.

The Audit & Risk Management Committee met 4 times in ordinary meetings and once in a special meeting.

#### **Licensing, Litigation & Legislative Committee**

The Committee's mandate is to assist the Board in overseeing litigation and legislative processes of the SECZ and making recommendations to the Board. Additionally, it supervises the CEO and other members of the SECZ staff with regard to the issue, renewal, amendment, suspension and cancellation of licences in terms of the Act.

The Committee Chairman, H. Nkomo retired from the SECZ Board on 31 July. Comm. Ziumbe assumed the Chairmanship from 01 August.

The Licensing, Litigation & Legislative Committee met 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.

#### **Human Resources Committee**

The Committee's mandate is to assist the SECZ Board in ensuring that the SECZ senior management and staff are appropriately rewarded for their work in a manner that will ensure, as far as possible, the recruitment, retention and motivation of people with skills that the organisation needs.

The membership of the Committee was unchanged in 2020.

The Human Resources Committee met 4 times during the year, in compliance with their Terms of Reference.

#### **Investor Education Committees**

The Committee's mandate is to assist the SECZ Board in overseeing the promotion of investor education through initiatives and processes of the SECZ; one of its objectives in terms of the governing legislation. This entails reviewing the quality and adequacy of the investor education portfolio of the SECZ.

Comm. Banda assumed Chairmanship of the Committee on 01 August from Comm. Ziumbe who was assigned to the Licensing, Litigation and Legislative Committee from the same date.

The membership was however unchanged. The Investor Education Committee met 4 times during the year, in compliance with their Terms of Reference.

### 3.5 Financial summary

Financial performance and position of the Commission has been affected by economic policies which resulted in an uncertain operating environment. Although 2020 brought a bit more stability than 2019, hyperinflation continued albeit at a lower, rate. As a result of rapid loss in the ZWL's purchasing power the Commission in compliance with International Financial Reporting Standards once again had to adjust its financial statements for the effects of hyperinflation since the ZWL is its functional currency. Financial performance was not significantly affected by the COVID-19 induced lockdowns during the year 2020 since the market is fairly automated and the Commission's financial systems are also reasonably configured for remote working.

Inflation adjusted 2020 financial performance realised income falling by 22% from ZWL 139 million in 2019 to 108 million in 2020. This is mainly attributed to a deteriorating economic operating environment. The Commission's mainstay income stream remains securities levy which accounted for 71% of total income.

The securities levy line item declined by 20% from ZWL 96 million in 2019 to ZWL 77 million in 2020. Other levies were down 13% from ZWL 9 million in 2019 to ZWL 7,8 million in 2020. License fees were ZWL 11 million against 6,5 million in 2019 yielding a 69% increase. Investment property value and unit trust investments mitigated the adverse effects of hyperinflation on the Commission's income. Inflation adjusted expenditure in 2020 of ZWL 90 million was 48% below ZWL 172 million in 2019, almost half that of 2019. This is mainly because staff costs which is 61% of income did not increase in line with inflation. The result was a 2020 inflation adjusted surplus of ZWL 17,7 million compared to an inflation adjusted deficit of ZWL 32,9 million for 2019.

The Commission's Inflation adjusted financial position as at the end of 2020 was stronger than 2019 buoyed by investment property valuation gains. Equipment was just 4% higher than prior year with minimal funding available for capital expenditure projects. 2020 had ZWL 1,5 million cash outlay for capital expenditure. This amount was for replacing ICT equipment which had exceeded its useful economic life



## 4. Chief Executive's Report

### 4.1 Legislative and Legal Developments

#### **Securities and Exchange Act Amendments**

Further to the preparatory work on the draft Amendment bill that was done in 2019, additional amendments were made to the draft Bill in consultation with the Attorney General's Office and the Ministry of Finance and Economic Development. The main discussions on the Bill were policy issues regarding registration of securities and prosecutorial powers. The draft Bill was submitted to the Ministry of Finance and Economic Development for approval and onward submission to the Attorney General's Office. The COVID- 19 pandemic also greatly affected the legislative making process.

#### **Declaration of Classes of Securities**

The Minister of Finance and Economic Development declared financial instruments listed below as classes of securities in terms of section 2 (2) of the Securities and Exchange Act [Chapter 24:25]. The General Notice 469 of 2020 was published in the Government Gazette of 28 February 2020. The following instruments were declared as securities in terms of the Act; Real Estate Investment Trust Scheme; Exchange Traded Fund; Commodity Fund; Property Fund; Private Equity Fund; Venture Capital Fund and; Warehouse receipts.

#### **Securities (Victoria Falls Stock Exchange) (Levies, Fees and Charges) Rules, 2020**

The Commission registered a securities exchange, the Victoria Falls Stock Exchange. The main objective of the Exchange is to allow companies to raise capital in foreign currency, mainly the United States dollar. Following its registration, the Securities (Victoria Falls Stock Exchange) (Levies, Fees

and Charges) Rules, 2020 were published in the Gazette of 21 October 2020 as Statutory Instrument 246 of 2020. The rules provide the levies, fees and charges applicable to the VFEX.

#### **Zimbabwe Stock Exchange Rules**

The ZSE applied for approval of Membership and Participant Rules. The rules provide for admission, supervision, trading, advertising, operational fees, and dispute resolution of members and market participants, among other things. The rules were still under review, and it is anticipated that they will be approved in 2021.

#### **Victoria Falls Stock Exchange Membership and CSD operational Rules**

The VFEX applied for approval of the VFEX membership and CD operational rules. The membership rules provide for admission, supervision, trading, advertising, operational fees, and dispute resolution of members and market participants, among other things. The CSD operational rules provide for the admission of Participants and operational procedures for the VFEX Depository system. The two sets of rules were still under review and it is anticipated that they will be approved in 2021.

#### **Securities & Exchange (Victoria Falls Stock Exchange Listing Requirements) Rules, 2020**

Following registration on VFEX, the Exchange applied for approval of listing requirements rules. The rules provide for listing, delisting and suspension of securities listed on the VFEX. The Rules were approved subject to a twelve-month trial run and to allow for any necessary adjustments. The rules will be submitted to the Ministry of Finance and Economic Development for approval and publication.

## 4.2 Risk Assessment

The Commission's overall risk rating for the year ended 31 December 2020 was rated High and outlook was considered Stable.

The rating was based on aggregated departmental qualitative and quantitative assessments which include key risk indicator metrics.

The inherent risks are risks which are intrinsic to the SECZ activities before any controls are applied or put in place. They are a function of the

likelihood of an event occurring and the impact of the event on earnings and achievement of strategic objectives. Quality of controls or risk management is how well risks are identified, measured, controlled, and monitored and is characterized as strong/adequate, satisfactory, or weak/inadequate. The risks were classified as operational, technological, strategic, market, legal and compliance and reputational risks.

These risks were assessed and aggregated across all SECZ departments to arrive at the aggregate inherent risks.

**Table 4.2.1 Consolidated Risk Assessment FY2020**

Risk Category	Level of Inherent Risks	Adequacy of Controls	Overall Risk	Direction of Risk
Strategy Risk	High	Satisfactory	High	Increasing
Operational Risk	High	Satisfactory	High	Increasing
ICT Risk	High	Satisfactory	High	Increasing
AML/CFT Risk	Moderate	Adequate	Low	Stable
Reputational Risk	Moderate	Adequate	Low	Stable
Market Risk	Moderate	Satisfactory	Moderate	Stable
Legal & Compliance	Moderate	Adequate	Moderate	Stable

*The breakdown of each risk category is attached as Annexure (a): SECZ FY2020 Risk Assessment.*



### 4.3 Key results – investor and consumer education

#### Investor Education and Awareness

In previous years, Investor Education was a function under the Corporate Finance and Market Development department. In September 2020, Investor Education became a standalone department with the on boarding of a Head of department. Due to the impact of the Covid 19 global pandemic and WHO guidelines, the Commission could not participate in-person at the usual fairs and exhibitions such as Zimbabwe International Trade Fair (ZITF) and Harare

Agricultural Show (HAS) as these were cancelled or postponed. Like other entities, the SECZ pivoted to online platforms and social media as the principal channels of communication. During the fourth quarter of 2020, the Securities and Exchange Commission of Zimbabwe (SECZ) and the Investor Protection Fund (IPF) collaborated and rolled out the investor education and awareness campaign. The campaign sought to raise the visibility of the two organisations and improve the protection of investors in Zimbabwe from unfair, improper and fraudulent practices in relation to securities. IPF provided the funding whilst the SECZ was responsible for execution.

Table 4.3.1 Media campaign activities done in 2020

Activity	Details of Activities
<b>Introduction of SECZ and IPF</b>	To kick-off the campaign content was developed to introduce the SECZ and highlight the regulated entities. IPF was also introduced, and the focus was on the purpose of the fund. The content was shared on all social media platforms and on radio (Capitalk FM) and television (ZTV).
<b>SECZ YouTube Channel</b>	Departmental videos were created to raise awareness of the roles of the departments within the SECZ. In compliance with national policy and to ensure inclusion, the SECZ produced information videos in ChiShona and isiNdebele; this will be the approach going forward. Grain of Fortune - the SECZ produced a 3-part Investment video which was launched on the 11th of December 2020 which follows Mr Shumba's Gazaland Millers listing journey.
<b>Investment 101 – Handbook for the capital markets</b>	The SECZ produced the Investment 101 handbook which guides the investor in their journey into Zimbabwe's Capital Markets. The Handbook was launched in Bulawayo on 11th December 2020 at an event officiated by the Hon Minister of Finance, Prof. M Ncube. During this period, discussions commenced with Ministry of Education, Curriculum Development Unit, for the SECZ to participate in the review for capital markets concepts to be incorporated for higher financial literacy levels.
<b>GroWealth monthly publication and Annual Survey</b>	To support the compliance requirement for unit trust Fund managers and to stimulate the growth of the unit trust industry, the SECZ guided the Association of Investment Managers of Zimbabwe to collaborate and restore the prominence of unit trusts as viable investments for the majority using the monthly publication of prices and related information of investor interest and for their empowerment. This will be supported by the annual survey which will summarise the year's main performance features.
<b>Financial Inclusion – Technology and Capital Markets Workshop</b>	The SECZ convened a workshop on 3rd December 2020 where stakeholders came together to strategise on the actions which are required to make in-roads into financial inclusion in the capital markets to stimulate interest, increase access and raise the volumes of trades.

# Investor Education can start at any age.



For more information visit: [www.seczim.co.zw](http://www.seczim.co.zw)

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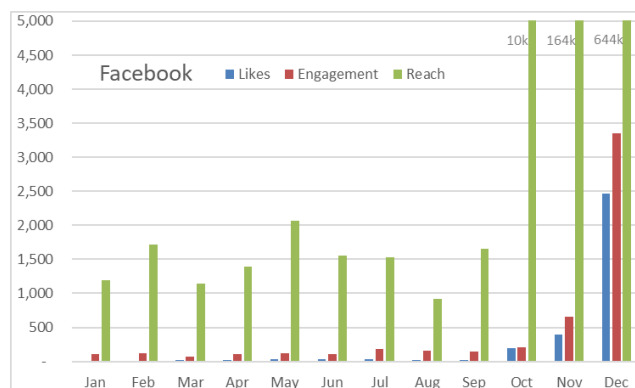


In collaboration with

## Social Media

The Commission transitioned from the usual weekly static posts of the weekly column and embarked on extensive social media drive wherein monthly content plans were produced to ensure that daily posts are engaging and encourage interaction between SECZ and its growing fan / follower base. The content produced was in the form of videos, animations (GIFs) and eye-catching high-resolution images. The content centred around campaign activities. Below are the statistics which show the social media growth.

### Charts 4.3.1 2020 Facebook Statistics



### Table 4.3.1 2020 LinkedIn Statistics

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
<b>Followers</b>	36	30	42	35	21	36	36	28	36	30	55	87
<b>Engagement</b>	20	36	32	30	28	26	34	37	29	65	168	298
<b>Impressions</b>	3,000	4,500	5,700	4,800	5,600	4,800	5,300	5,200	5,000	4,900	6,500	9,700

### Table 4.3.2 2020 Twitter Statistics

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
<b>Followers</b>	173	47	58	29	65	197	111	92	81	67	100	302
<b>Tweets</b>	6	9	8	4	4	6	4	3	7	16	32	41
<b>Impressions</b>	8,198	10,000	6,932	7,015	4,259	8,813	7,058	4,070	5,869	13,900	23,400	93,400
<b>Mentions</b>	24	21	5	9	10	139	29	12	20	61	30	88
<b>Profile visits</b>	111	166	197	276	204	901	386	325	448	490	774	3,551

The table below shows the distribution of the social media fans. The table clearly shows that the SECZ is reaching out to fans far and wide though the numbers are still low in other countries.

### Table 4.3.3 Distribution of social media fans

Country	Number	Percentage
Zimbabwe	4697	90.36 %
South Africa	251	4.83 %
United Kingdom	36	0.69 %
United States	25	0.48 %
Botswana	19	0.37 %
United Arab Emirates	14	0.27 %
Zambia	14	0.27 %
Namibia	10	0.19 %
Australia	10	0.19 %
Other	122	2.35 %

## Corporate Communications Activities

### 1) Financial Inclusion Workshop

The Commission hosted a Financial Inclusion workshop on the 3rd of December 2020 in the SECZ training room. The workshop was attended by capital market players as well as other financial market players to the pave way for more collaboration on Financial inclusion and greater participation across the board.

### 2) Investment 101 and Grain of Fortune Video Launch

The Investment 101 handbook and the Grain of Fortune video were launched successfully in Bulawayo on the 11th of December, 2020. The event was well attended by the business community and media from Bulawayo. The event received wide coverage from television, print as well as digital media.

### 3) Website

A new look, user friendly website with updated features was launched during the period under review to accommodate the growing investor education focus and content. Post reporting period, the site went live in January 2021 on [www.seczim.co.zw](http://www.seczim.co.zw)

### 4) GroWealth Annual Survey and monthly publication

In partnership with the Association of Investment Managers in Zimbabwe (AIMZ), the Commission launched the Unit Trust GroWealth report in November 2020 to inform investors and potential investors of the existence and performance of Unit Trusts in the market. In December, a monthly report was introduced.

### 5) Database Management System

A database management system, MailChimp, is used to effect updates, including screening, removing of duplicate information and errors

as well as flagging redundant email addresses. Initiatives for the growth of the database are on-going as a means to keep stakeholders informed of investor protection information and relevant Commission and industry developments.

### 6) Media strategy

The focus is shining the spotlight on the work of the IPF / SECZ at a time when the survey administered in 2019 confirmed that very little was known of the role of the two organisations. Curated communication pieces feature alongside all investor education activities for maximum visibility and reach.

Videos were produced on the Commission featuring the Supervision and Surveillance, the Corporate Finance and Market Development, the Investor Education department and the SECZ / IPF campaigns. Vernacular videos were produced on the Campaign, in isiNdebele and chiShona.





#### 4.4 Key Results – Market development

The Commission is engrossed in creating an enabling environment for the provision of investor centric products and services in line with the changing operating environment. The Commission believes this can only be achieved through stakeholder engagement, collaboration with peer regulators, broad based education and awareness. Consequently, efforts are underway to understudy both the demand and supply side factors of the market to address any attendant deficiencies. The aim is to develop a balanced framework to effectively meet investment needs of the market.

##### 1) CFA Research Challenge

The Commission continues to support and sponsor the Zimbabwe Chartered Financial Analysts (CFA) Research Challenge. The initiative is an annual global event spearheaded by the Investment Professionals Association of Zimbabwe (IPAZ). This initiative provides university students with hands on mentoring and intensive training in financial analysis and professional ethics. Participating students are tested on their analytical, valuation, report writing and presentation skills. Students gain real world experience in equity research and analysis. The 2020 local competition started off with 12 teams from 11 universities. SECZ believes that the initiative augurs well with the Commission's investor education and awareness mandate aimed at raising awareness on capital market related issues.

##### 2) SME development

As part of its research initiatives, the Commission initiated work on supporting the SME industry, innovators and promoting ethical market practice.

The Commission believes that SMEs are the backbone to every economy. The promotion of SMES in developing countries has been a powerful engine of employment and wealth creation.

##### 3) Fintech

The emergence, issuance, and investment in Fintech products and related services in the absence of a requisite regulatory framework gained increased attention from securities market regulators. Regulatory intervention cannot be ignored given that securities market regulators have the mandate to ensure highest levels of investor protection for market confidence and integrity. SECZ is also mandated to promote the breadth and depth of the securities market. Work is therefore underway to look into and engage players in the fintech space with the aim of taking advantage of any attendant benefits while managing any potential risks associated.

Initial drafts from these research initiatives should be ready for input and evidence from securities market stakeholders next year.

##### 4) Research collaboration

Plans are also at an advanced stage to engage and involve academia in the Commission's research activities. SECZ believes academia to be the custodian of a vast knowledge base that complements SECZ's objective towards developing Zimbabwe's securities market. The planned collaboration is meant to tap into this sector's in-depth skill and knowledge in generating quality evidence-backed research. This move is set to progress the Commission's objective of promoting the breadth and depth of the Zimbabwe securities market with meaningful contribution towards the national economic developmental strategy.

#### 4.5 Markets performance

The market opened the year with strong re-pricing momentum as it self-corrected to catch up with the 2019 currency shift. The market had trailed behind piling inflationary pressure resulting in significant discounts in stock prices across the board. Inflationary pressure relentlessly soared to record levels mainly because of the shocks associated with the currency reforms pursued by Government in 2019. A fixed exchange rate regime coupled with high foreign currency retention levels aggravated the situation.

Government, through the RBZ, took the decision to revert to a floating exchange rate regime to bring sanity onto the market. An electronic forex trading platform based on the Reuters system was launched on the 23rd of June. The local currency continued to depreciate losing a weekly average of 5% since the launch of the auction system. The exchange rate is however likely to remain unstable until the country attains sustainable foreign currency generation capacity. Headline annual inflation started to decelerate towards the end of the year on account of reduced impact of exchange rate pass through effect, on inflation. However, investors continued hedge seeking through the stock market to cushion themselves against piling adverse inflation expectations. Restoration of market confidence remains one of the key fundamentals that need urgent attention.

Market activity stopped for 5 weeks following Government's directive to suspend all share trading on the ZSE on the 27th of June to pave way for investigations into perceived speculative trading in dual listed companies. The suspension had a significant negative impact on investor perception, particularly, foreign investors. Considering that stock markets are simply transmission mechanisms that reflect the underlying views of the various market players, the market regarded Government's move to have disregarded investors interest, market

integrity and the image of the country at large.

The market felt that better alternative remedial action could have been directly taken against the perpetrators instead of punishing the whole market. Investor confidence, particularly foreigners, was damaged while Government missed on potential tax income that could have been earned during the suspension period. Pensioners and the insurance industry, being the largest single institutional investor on the capital market, were top on the list of those prejudiced because of this directive. The pensions and insurance industry portfolio largely comprises property and shares with shares being the more liquid instrument. Market suspension saw this industry failing to meet its monthly pension disbursements, client claims and benefits obligations.

Regrettably, upon lifting of the suspension, the market succumbed to successive weeks of depressed prices as selling pressure continued to mount due to: foreign investors seeking exit through the foreign exchange auction system following a prolonged period of repatriation challenges and; profit taking in panic from the abrupt suspension resulting in some investors withdrawing from the market.

Annual turnover closed at ZWL\$17.321 billion, being 754% up from 2019 largely driven by inflation. The market closed with an annual net foreign outflow position of ZWL\$5.423 billion as foreign investors maintained an exit stance. Market capitalisation at ZWL\$317.9 billion as at the end of December, translating into an annual return of 968% over the prior year.

Overall, the need for value preservation in the face of attendant inflationary pressures has generally spurred demand for equities as one of the preferred havens for investors. The market is likely to remain active into the new year as inflationary pressure continues to mount leading investors to pile into the stock market in search of positive investment returns.

## 5. Achievements by Sector

### 5.1 Licensee Supervision and Performance

Capital market sector stability as at 31 December 2020 was considered high and the outlook stable. The following key events, threats and opportunities were noted:

- The rebound in equity market was the key factor on the Zimbabwe Stock Exchange following the trading halt during the year and the launch of Victoria Falls Stock Exchange.
- The interbank foreign exchange rates depreciated by 387.62% to 81.79 as at 31 December 2020 from 16.7734 as at 31 December 2019.
- Month on Month inflation averaged 16.6% in December 2020, according to the figures.
- The inflationary environment posed a viability threat as costs of doing business continued to increase, and this subsequently affected profitability and returns on investments for both Securities Market Intermediaries (SMIs) and investors.
- Financial soundness indicators of securities dealing firms revealed that three (3) firms were inadequately capitalized whilst two (2) institutions reported negative earnings as at 31 December 2020.
- The assessments for securities investment /asset management firms showed that only two (2) firms were inadequately capitalized, and three (3) firms reported operating losses.
- The Funds under Management (FUM) for the industry stood at \$156.5 billion representing increase of 940% from \$15.05 billion reported as at 31 December 2019.
- As at 31 December 2020, Assets under Custody (AUC) amounted to \$149.2 billion which was 815% increase from \$16.3 billion reported as at 31 December 2019.



## 5.2 Zimbabwe Stock Exchange (ZSE)

*Note: Financial figures shown in section 5 are historical, that is, not inflation adjusted.*

### Earnings

The ZSE's earnings were rated Strong. The company reported total revenue of \$71,664,495, for the twelve months ended 31 December 2020, representing an increase of 605.01% reported in the prior comparative period. Operating profit grew by 1023.38% to \$15.96million. During the same period, operating expenses amounted to \$55,703,369, representing an increase of 537.03%.

**Table 5.2.1 ZSE Financial Highlights**

	Year ended 31 Dec 2020 ZW\$	Year ended 31 Dec 2019 ZW\$
<b>Total Income</b>	71,664,495	10,165,100
<b>Profit/(Loss) before tax</b>	15,961,126	1,420,819
<b>Operating expenditure</b>	55,703,369	8,744,281
<b>Staff Costs</b>	27,635,707	2,482,434

### Capital

Capital adequacy was rated Strong. As at 31 December 2020, the Exchange had a net asset value (NAV) of \$113,974,843 which was significantly above the minimum regulatory capital requirement of \$1,000,000. The NAV increased by 615.26% from \$15,934,572 reported as at 31 December 2019 to \$113,974,843. The Net Assets Cover Ratio dropped by 34.04% from 4.23x reported as at 31 December 2019 to 2.79x. The decrease was largely fueled by a 1,052% increase in current liabilities. The Exchange secured a short term loan of \$28.5 million to fund its projects during the year.

### Liquidity

ZSE's liquidity position was rated Fair. The liquidity position worsened during the 12 months period ended 31 December 2020 as reflected by the decrease in the current ratio. The current ratio as at 31 December 2020 stood at 0.92x, a decline of 25.2% from the prior period's 1.23x. The quick ratio also decreased by 39.84% to 0.74x from the previous year's 1.23x. Table 5.2. 2 ZSE

### Liquidity Ratios

Ratios	31 Dec 2020	31 Dec 2019
<b>Current ratio</b>		
Current assets	37,230,172	4,332,279
Current liabilities	40,664,438	3,529,854
	<b>0.92</b>	<b>1.23</b>
<b>Quick Ratio</b>		
Current assets less inventory	30,283,024	4,332,279
Current liabilities	40,664,438	3,529,854
	<b>0.74</b>	<b>1.23</b>

### Solvency

The Exchange's solvency position was rated Satisfactory. The firm's solvency position declined during the period under review, weighed down by a decrease in both the total asset and net asset cover ratios. Total asset cover ratio stood at 1.79x, a decrease of 65.77% from the previous year's 5.23x whilst net asset cover ratio closed at 2.79x, a 34.04% decrease from 4.23x reported as at 31 December 2019.

### 5.3 Financial Securities Exchange (FINSEC)

#### Earnings

Earnings were rated Strong. FINSEC's total income for the period stood at \$5,313,714 which was a substantial 804.40% increase from \$587,542 recorded in the prior comparative period. The firm's total operating expenditure increased by 597.87% and was attributed to rising staff costs due to the inflationary effects. The firm reported an operating profit of \$1,527,872 depicting a 932.21% improvement from an operating profit of \$148,020 recorded in the prior period. Table 4 highlight FINSEC financial details.

**Table 5.3.1 FINSEC Financial Highlights**

	Year ended 31 Dec 2020 ZWS	Year ended 31 Dec 2019 ZWS
Total Income	5,313,714	587,542
Profit/(Loss)before tax	1,527,872	148,020
Operating expenditure	3,785,842	542,482
Staff Costs	1,792,898	254,130

#### Capital

Finsec's capital was rated Strong. As at 31 December 2020, the institution had a Net Asset Value (NAV) of \$7,444,147, which was a 29.15% increase from last year's NAV of \$5,764,145.

#### Liquidity

FINSEC's liquidity position was rated strong. As at 31 December 2020, both the current and quick ratios stood at 3.08x. The liquidity ratios went down by 39.73% from 5.11x reported as at 31 December 2019. The decrease was mainly supported by a 819% growth in current liabilities from \$105,764 as at 31 December 2019 to \$972,436 as at 31 December 2020.

**Table 5.3.1 FINSEC Liquidity Risk Ratios**

Ratios	31 Dec 2020	31 Dec 2019
<b>Current ratio</b>		
<b>Current assets</b>	2,997,280	540,286
<b>Current liabilities</b>	972,436	105,764
	3.08	5.11
<b>Quick ratio</b>		
<b>Current assets less inventory</b>	2,997,280	540,286
<b>Current liabilities</b>	972,436	105,764
	3.08	5.11

#### Solvency

The institution's solvency ratio was rated strong. Finsec recorded a positive total asset cover ratio of 3.6x as at 31 December 2020, which was a 62.95% significant decrease from 9.7x reported as at 31 December 2019.

## 5.4 Chengetedzai Depository Company (CDC)

### Earnings

Chengetedzai Depository Company's (CDC) earnings were rated strong. For the twelve months ended 31 December 2020, the firm's revenue amounted to \$40,029,414 representing an increase of 723.62% from the prior period's total income. Total operating expenditure stood at \$20,798,178 with staff costs constituting 56% of the total costs. Operating expenses increased by 487.17% and was mainly attributed to staff costs and other administration expenses which rose in line with the rising inflation. The institution recorded an operating profit of \$19,231,236 an increase of 1359.06% reported in the prior comparative period.

**Table 5.4.1 CDC Financial Highlights**

	31 Dec 2020	31 Dec 2019
<b>Total Income</b>	40,029,414	4,860,154
<b>Profit/(Loss) for the period</b>	19,231,236	1,318,057
<b>Operating Expenditure</b>	20,798,178	3,542,097
<b>Staff Costs</b>	11,607,954	1,529,564

### Capital

As at 31 December 2020, CDC's Capital position was rated Satisfactory. The institution was adequately capitalized with a Net Assets Value (NAV) of \$17,584,820 which was above the minimum threshold of \$1,000,000. The capital adequacy ratio stood at 17.58x.

### Liquidity

CDC's liquidity position was rated Satisfactory. CDC's current ratio as at 31 December 2020 stood at 2.92x, a significant decrease from 43.03x reported as at 31 December 2019. The decrease in current ratio was due to a surge in current liabilities.

**Table 5.4.2 CDC Liquidity ratios**

Ratios	31 Dec 2020	31 Dec 2019
<b>Current ratio</b>		
Current assets	13,424,746	3,679,731
Current liabilities	4,590,972	85,517
	2.92	43.03
<b>Quick ratio</b>		
Current assets less inventory	13,424,746	3,679,731
Current liabilities	4,590,972	85,517
	2.92	43.03

### Solvency

CDC's solvency position was rated Fair. The firm reported a net asset cover of 3.73x as at 31 December 2020 which was a 86.62% decrease from 27.86x reported as at 31 December 2019. Total asset cover stood at 4.73x as at 31 December 2020, depicting a decrease from 51.83x reported as at 31 December 2019. Despite the decrease, the institution maintained a stable solvency position.

## 5.5 Securities Dealing (Stockbroking) Firms

### Summary

Assessment	
Metric	Rating*
Earnings	Satisfactory
Capital	Satisfactory
Liquidity	Strong
Solvency	Weak
<b>Overall Rating</b>	<b>Satisfactory</b>

\* 1-Strong; 2-Satisfactory; 3-Fair; 4-Weak, 5-Critical

### Earnings

The sector's earnings were rated Satisfactory for the twelve-months ended 31 December 2020. Sixteen out of eighteen operating securities dealing firms reported positive earnings while two firms, ABC Securities and IH Securities reported losses. Lynton Edwards Securities reported the highest earnings of \$33.2 million. The industry continues to suffer from rising costs due to the high inflationary environment. The sector's earnings are illustrated in Table 5.5.1.

Table 5.5.1 Profitability of Securities Dealing Firms (SDF)

Security Dealing firms	Operating Profit before Tax (ZWL)
Lynton Edwards Securities	33,199,598
Akribos Securities	26,669,655
Morgan & Co	19,357,481
Imara Securities	11,143,985
Old Mutual Securities	9,371,660
MMC Capital	4,593,120
Platinum Securities	4,148,367
EFE Securities	3,311,662
Wealth Access	2,733,898
FBC Securities	1,706,422
MAST Stockbrokers	1,667,281
Invictus Securities	1,409,655
Remo Securities	792,037
Fincent Securities	524,586
Bethel Securities	477,273
Southern Trust Securities	427,286
ABC Securities	(1,043,302)
IH Securities	(1,065,562)

## Capital

The capital for the sector as at 31 December 2020 was rated Satisfactory. Three (3) of the eighteen (18) securities dealing firms were inadequately capitalised. Table 5.5.2 shows capital adequacy status of Securities Dealing firms as at 31 December 2020.

**Table 5.5.2 Capital Adequacy Status for Securities Dealing Firms as at 31 December 2020**

Name of Institution	13 weeks operational costs	Adjusted Liquid Capital	Total Requirement	CAR	Comments
ABC Securities	574,198	(442,774)	714,666	(0.62)	Inadequate
Akribos Securities	12,629,018	18,453,222	16,362,229	1.13	Adequate
Bethel Securities	201,047	1,195,909	245,731	4.87	Adequate
EFE Securities	678,685	16,225,954	11,774,522	1.38	Adequate
FBC Securities	5,187,669	10,978,761	8,463,640	1.30	Adequate
Fincent Securities	104,279	1,052,964	152,901	6.89	Adequate
IH Securities	5,710,997	5,855,023	7,784,355	0.75	Inadequate
Imara Securities	2,534,315	9,926,598	4,953,771	2.00	Adequate
Invictus Securities	733,820	1,996,760	1,339,918	1.49	Adequate
Lynton Edwards Securities	2,756,469	27,247,091	16,934,547	1.61	Adequate
MAST Stockbrokers	399,666	1,817,592	1,022,790	1.78	Adequate
MMC Capital	2,997,303	10,177,860	8,391,687	1.21	Adequate
Morgan & Co	1,483,181	15,047,842	5,307,708	2.84	Adequate
Old Mutual Securities	4,091,948	20,985,074	10,885,464	1.93	Adequate
Platinum Securities	1,397,744	11,902,348	5,327,434	2.23	Adequate
Remo Securities	334,865	2,640,763	334,865	7.89	Adequate
Southern Trust Securities	293,292	1,307,079	831,615	1.57	Adequate
Wealth Access	3,001,958	2,401,862	3,579,394	0.67	Inadequate
<b>Total</b>	<b>45,110,453</b>	<b>158,769,928</b>	<b>104,407,239</b>		
<b>Average</b>	<b>2,506,136</b>	<b>8,820,552</b>	<b>5,800,402</b>	<b>2.27</b>	

## Liquidity

The sector's liquidity position was rated Strong. As at 31 December 2020, all eighteen securities dealing firms had sufficient current assets to meet their short-term obligations. Notable outlier on the current ratio was recorded in Fincent Securities which had not incurred any current liabilities. The industry's average current ratio stood at 3.27x.



## Solvency

The sector's solvency position was rated Weak. Eleven firms (61%) had net asset cover ratios above 1 and the industry average solvency ratio stood at 2.33. Fincent Securities, which was registered during the fourth quarter of 2019, had not yet accumulated financial obligations as at 31 December 2020. Table 5.5.3 shows the liquidity and solvency ratios of securities dealing firms as at 31 December 2020.

**Table 5.5.3 Current and Solvency Ratios for Securities Dealing Firms as at 31 December 2020**

Securities Dealing Firm	Liquidity			Solvency		
	Current Assets	Current Liabilities	Ratio	Net Assets	Total Liabilities	Ratio
ABC Securities	4,668,940	4,057,117	1.15	705,922	4,057,117	0.17
Akribos Securities	75,574,858	57,703,944	1.31	18,508,968	57,703,944	0.32
Bethel Securities	7,266,914	5,981,585	1.21	1,315,385	5,981,585	0.22
EFE Securities	52,316,797	9,636,583	5.43	42,752,058	9,636,583	4.44
FBC Securities	14,017,486	1,988,315	7.05	4,504,762	12,341,238	0.37
Fincent Securities	990,734	1	1.00	1,189,629	1	1.00
IH Securities	9,287,213	4,811,439	1.93	7,423,716	7,106,639	1.04
Imara Securities	5,690,768	2,414,652	2.36	10,506,062	2,628,734	4.00
Invictus Securities	4,517,980	1,460,640	3.09	2,790,889	1,776,274	1.57
Lynton Edwards Securities	40,720,004	16,871,194	2.41	27,736,593	16,871,194	1.64
MAST Stockbrokers	2,479,359	326,175	7.60	2,277,465	326,175	6.98
MMC Capital	56,652,738	55,262,923	1.03	11,902,975	55,443,650	0.21
Morgan & Co	13,160,307	1,410,273	9.33	15,270,636	1,509,085	10.12
Old Mutual Securities	20,476,673	18,448,866	1.11	21,539,611	18,448,866	1.17
Platinum Securities	31,313,436	20,063,109	1.56	15,786,894	20,063,109	0.79
Remo Securities	3,321,904	684,175	4.86	2,640,764	684,175	3.86
Southern Trust Securities	3,269,384	1,025,663	3.19	2,066,323	1,204,569	1.72
Wealth Access	7,021,099	4,803,341	1.46	3,157,794	4,803,341	0.66
<b>Industry Average</b>	<b>20,336,794</b>	<b>11,890,980</b>	<b>3.27</b>	<b>11,112,862</b>	<b>12,693,114</b>	<b>2.33</b>

## 5.6 Investment (Asset) Management Companies

### Summary

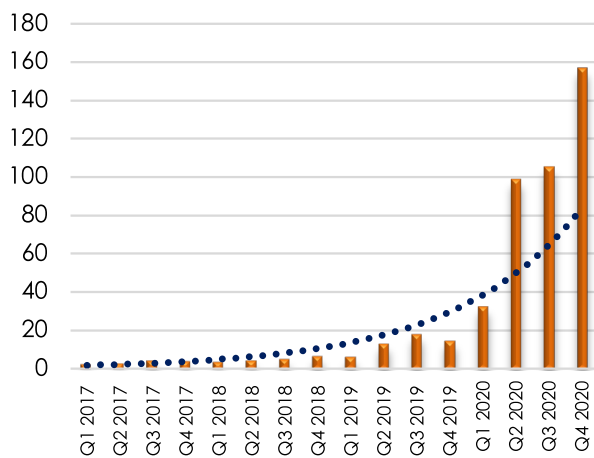
Assessment Metric	Rating*
Earnings	Satisfactory
Capital	Satisfactory
Liquidity	Satisfactory
Solvency	Fair
<b>Overall Rating</b>	<b>Satisfactory</b>

\* 1-Strong; 2-Satisfactory; 3-Fair; 4-Weak, 5-Critical

### Funds under Management

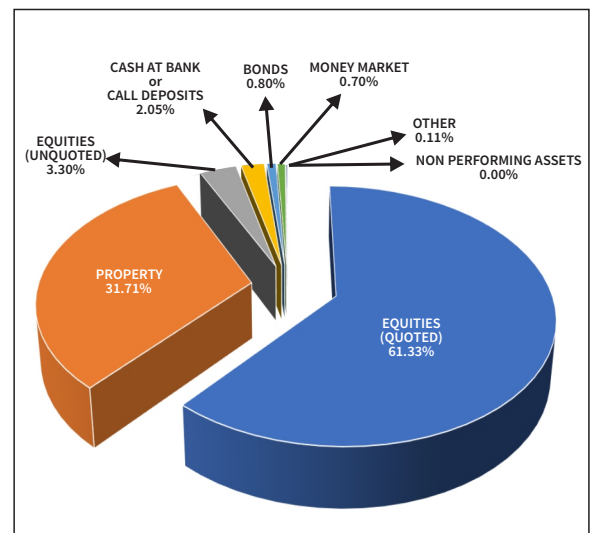
The Funds under Management (FUM) for the industry as at 31 December 2020 stood at \$156.54 billion. The industry average stood at \$8.24 billion. Old Mutual Investments Group (OMIG) continued to dominate the market commanding 50.53% of the total FUM. The growth in FUM was driven by continued revaluation of real estate assets (property investments) at prevailing interbank rates from USD denominated values as well as the general appreciation of the equity-based assets.

Figure 5.6.1 Funds Under Management (31 Dec 2021)



A 61.33% proportion of FUM was invested in quoted equities, followed by property and unquoted equities which had 31.71% and 3.30% respectively as illustrated in Figure 5.6.2.

Figure 5.6.2 Distribution of FUM (31 Dec 2021)



## Earnings

The sector's earnings were rated Satisfactory. The industry average operating profit for the period under review amounted to \$42.42 million. Most of the securities investment management companies were profitable except Atria, Nyaradzo, and First Mutual Wealth Investment Managers who reported operating losses of \$775,107, \$3,556,335, and \$5,423,138, respectively. The industry's average total operating costs to management fees ratio was 123.85%, an indication that the sector had improved in funding operations from core business, strained by rising costs of doing business due to the inflationary environment. Table 5.6.1 shows the earnings reported by the Investment Management companies with Old Mutual Investment Group topping the list.

**Table 5.6.1 Profitability for Investment Management Companies**

<b>Investment Management Firms</b>	<b>Operating Profit before Tax (ZWL)</b>
Old Mutual Investment Group	199,069,096
ABC Asset Management	159,484,896
Equivest Asset Management	136,082,226
CBZ Asset Management	102,183,956
Invesci Asset Management	79,345,884
Fidelity Life Asset Management	35,716,905
Akribos Asset Management	31,983,167
Platinum Asset Management	17,511,312
TN Asset Management	17,353,854
Smartvest Investment Managers	11,416,361
Zimnat Asset Management	10,080,181
Imara Asset Management	8,925,098
Alpha Asset Management	3,976,061
Purpose Asset Management	1,560,272
MHMK Asset Management	840,986
QuantAfrica Wealth Managers	264,528
<b>Atria Asset Management</b>	<b>(775,107)</b>
<b>Nyaradzo Asset Management</b>	<b>(3,556,335)</b>
<b>First Mutual Limited</b>	<b>(5,423,138)</b>

## Capital

As at 31 December 2020, the sector's capital rating was Satisfactory. Of the nineteen (19) asset managers, two (2) asset managers were not adequately capitalized as at 31 December 2020 as their adjusted liquid capital could not cover the total capital requirements. The industry average capital adequacy ratio (CAR) was 1.54x.

**Table 5.6.2 shows the Capital Adequacy Status for Investment Management Firms as at 31 December 2020**

Name of Institution	13 weeks operational costs	Adjusted Liquid Capital	Total Requirement	CAR	Comments
ABC Asset	8,686,779	177,586,517	66,484,816	2.67	Adequate
Akribos	5,511,697	24,619,034	6,465,798	3.81	Adequate
Alpha Asset	2,168,956	7,903,485	7,507,687	1.05	Adequate
Atria Asset	320,316	(375,429)	445,237	(0.84)	Inadequate
CBZ t/a Datvest	17,737,348	93,932,197	32,095,821	2.93	Adequate
Equivest	680,438	145,350,269	57,820,404	2.51	Adequate
First Mutual	8,014,670	4,538,052	11,411,609	0.40	Inadequate
Fidelity Asset	500,147	44,722,620	9,183,372	4.87	Adequate
Imara Asset	8,391,905	18,512,209	9,086,722	2.04	Adequate
Invesci Asset	2,777,159	85,438,809	34,598,418	2.47	Adequate
MHMK Asset	392,040	1,587,232	1,177,709	1.35	Adequate
Nyaradzo Asset	1,159,712	7,223,339	2,407,907	3.00	Adequate
Old Mutual Inv	72,022,255	176,695,784	108,661,732	1.63	Adequate
Platinum Inv	3,449,206	25,682,913	11,220,438	2.29	Adequate
Purpose Asset	1,561,497	4,125,113	2,822,690	1.46	Adequate
QuantAfrica	184,486	1,544,282	536,948	2.88	Adequate
Smartvest	980,849	11,779,302	5,725,650	2.06	Adequate
TN Asset	7,091,723	28,379,261	11,730,931	2.42	Adequate
Zimnat Asset	5,003,365	15,995,935	6,776,815	2.36	Adequate
<b>Total</b>	<b>146,634,546</b>	<b>875,240,923</b>	<b>386,160,702</b>		
<b>Average</b>	<b>7,717,608</b>	<b>46,065,312</b>	<b>20,324,248</b>	<b>2.18</b>	



## Liquidity

The sector's liquidity was rated Satisfactory. All asset management firms, except for Atria, Nyaradzo and TN Asset Management had current ratios above 1.0 as at 31 December 2020. An outlier of 285.89x in current ratio was recorded in Equivest while TN had the lowest ratio of 0.63x. The industry's current ratio averaged 20.69x.

**Table 5.6.2 Capital Adequacy Status for Investment Management Firms as at 31 December 2020**

Asset Managers	Liquid test ratios			Solvency test ratios		
	Current Assets	Current Liabilities	Ratio	Net Assets	Total Liabilities	Ratio
ABC Asset	221,639,674	31,077,288		188,674,112	33,062,244	
Akribos	51,921,706	21,959,148	<b>2.36</b>	31,945,169	21,990,824	<b>1.45</b>
Alpha Asset	45,581,737	2,650,301	<b>17.20</b>	42,785,166	3,422,969	<b>12.50</b>
Atria Asset	1,429,205	1,883,008	<b>0.76</b>	(350,732)	1,789,438	<b>(0.20)</b>
CBZ t/a Datvest	24,055,072	23,310,114	<b>1.03</b>	97,094,894	54,150,633	<b>1.79</b>
Equivest	145,860,455	510,195	<b>285.89</b>	145,350,260	510,195	<b>284.89</b>
First Mutual	12,056,937	7,421,620	<b>1.62</b>	6,154,072	7,421,620	<b>0.83</b>
Fidelity Asset	8,784,813	5,862,226	<b>1.50</b>	44,203,505	5,862,226	<b>7.54</b>
Imara Asset	15,279,775	3,874,798	<b>3.94</b>	12,074,738	4,268,429	<b>2.83</b>
Invesci Asset	87,819,473	3,286,481	<b>26.72</b>	85,730,972	3,922,110	<b>21.86</b>
MHMK Asset	2,089,800	839,919	<b>2.49</b>	2,396,750	2,028,494	<b>1.18</b>
Nyaradzo Asset	10,779,674	13,486,826	<b>0.80</b>	(2,707,152)	13,486,826	<b>(0.20)</b>
Old Mutual Inv	270,084,122	127,626,526	<b>2.12</b>	189,941,271	127,626,526	<b>1.49</b>
Platinum Inv	17,871,547	6,412,955	<b>2.79</b>	89,695,216	6,412,955	<b>13.99</b>
Purpose Asset	2,743,565	259,316	<b>10.58</b>	3,500,978	271,252	<b>12.91</b>
QuantAfrica	1,279,754	-	-	1,849,603	-	-
Smartvest	11,704,391	6,301,636	<b>1.86</b>	20,539,171	7,088,650	<b>2.90</b>
TN Asset	18,666,789	29,648,497	<b>0.63</b>	23,314,407	29,648,497	<b>0.79</b>
Zimnat Asset	19,128,011	6,546,141	<b>2.92</b>	13,134,474	6,546,141	<b>2.01</b>
Average	<b>50,988,237</b>	<b>15,418,789</b>	<b>20.69</b>	<b>52,385,625</b>	<b>17,342,633</b>	<b>20.79</b>

## Solvency

As at 31 December 2020, the sector's solvency was rated Fair. The industry averaged net assets of \$ 52,385,625 and net asset cover ratio of 20.79. Four (4) out of the nineteen (19) asset managers had a net asset ratio of less than 1.0x as shown in Table 15. The industry was able to fully fund its financial obligations by utilising assets.

## 5.7 Securities Transfer Secretaries

### Summary

Assessment Metric	Rating*
Earnings	Strong
Capital	Strong
Liquidity	Strong
Solvency	Strong
<b>Overall Rating</b>	<b>Strong</b>

\* 1-Strong; 2-Satisfactory; 3-Fair; 4-Weak; 5-Critical

### Earnings

The sector's earnings were rated Strong. The sector reported average revenue of \$28,353,983 against average operating expenditure of \$12,114,564. The resultant average after tax profit was \$ 15,226,319, with all the firms reporting positive after-tax earnings during the period under review. ZB Transfer Secretaries had the leading net profit after tax of \$21,848,638 followed by Corpserve, \$18,553,832 and First Transfer Secretaries, \$ 5,276,487, respectively.

**Table 5.7.1 Profitability Highlights for 2020 (ZW\$)**

	Total Income	Net Profit After Tax	Total Expenditure
Corpserve	36,935,128	18,553,832	18,381,296
FTS	19,597,519	5,276,487	11,281,730
ZB	28,529,303	21,848,638	6,680,665
<b>Total</b>	<b>85,061,950</b>	<b>45,678,957</b>	<b>36,343,691</b>
<b>Average</b>	<b>28,353,983</b>	<b>15,226,319</b>	<b>12,114,564</b>

### Capital

**Table 5.7.2 Capital Adequacy Status as at 31 Dec 2020**

	Shareholders' Funds	Total Assets	Status
Corpserve	22,249,161	22,887,496	Adequate
FTS	49,829,983	55,032,440	Adequate
ZB	23,782,752	26,440,592	Adequate
<b>Average</b>	<b>31,953,965</b>	<b>34,786,843</b>	

The sector's capital rating was Strong. As at 31 December 2020, all the three (3) Transfer Secretaries were adequately capitalised, with capital reserves above the minimum requirement

of \$150,000. Table 17 shows the capital adequacy status for Transfer Secretaries as at 31 December 2020.

### Liquidity

The sector's liquidity position was rated Strong. The industry's average liquidity ratio was 15.44x. Corpserve Transfer Secretaries had the highest current ratio of 33.72x. ZB and First Transfer Secretaries reported current ratios of 9.78x and 2.81x respectively which were below the industry's average of 15.44x. The sector's liquidity status was sufficient to cover short-term obligations as shown in Table 5.7.3.

### Solvency

The sector's solvency ratio was rated Strong based on the high total asset cover ratios reported by the firms. Corpserve Transfer Secretaries reported a higher ratio of 35.85x which was above the industry average of 18.79x while First Transfer Secretaries and ZB Transfer Secretaries reported solvency ratios of 10.58x and 9.95x, respectively.

**Table 5.7.3 Liquidity and Solvency Ratio**

	Corpserve	FTS	ZB
<b>Current Ratio</b>			
Current assets	21,582,518	14,586,444	25,987,552
Current liabilities	639,996	5,194,809	2,657,840
	<b>33.72</b>	<b>2.81</b>	<b>9.78</b>
<b>Total Asset Cover</b>			
Total assets	22,887,496	55,032,440	26,440,592
Total liabilities	638,335	5,202,457	2,657,840
	<b>35.85</b>	<b>10.58</b>	<b>9.95</b>

### Value of Share Registers

As at 31 December 2020, the total value of securities administered by the transfer secretaries amounted to \$160.10 billion. Corpserve administered 81.88% of the market share, followed by ZB Transfer Secretaries, 13.12% and with First Transfer Secretaries 5.00% of the total 51 listed firms, respectively.

## 5.8 Custodial Services Providers

### Assets under Custody

As at 31 December 2020, Total Assets under Custody (AUC) amounted to \$149.2 billion. CABS accounted for 46.98% of total value of AUC whilst Stanbic Custodial Services, CBZ Custodial Services, Standard Chartered and FBC accounted for 32.67%, 15.79%, 3.30% and 1.27% respectively. Local clients held 78.33% of AUC whilst foreign clients accounted for 21.67% of the assets.

**Table 5.8.1 Financial Performance 2020 (Zw\$)**

	Assets under Custody
CABS	70,111,697,035
CBZ	23,561,719,887
FBC	1,889,426,059
STANBIC	48,758,215,509
STANCHART	4,925,515,139
Total	149,246,573,629
Average	29,849,314,726

### Market Monitoring & Investigations

Day-to-day surveillance activities were undertaken to uncover cases of suspected breaches for further investigation and enforcement of appropriate action. Thorough investigations were conducted into all suspected breaches.

For the year ended 31 December 2020, five (5) cases were investigated, one (1) of which was a carry-over case from 2019. Three (3) of these cases were finalised while two (2) remained outstanding and shall be carried over to 2021.

Four (4) of the cases were related to complaints raised by individual investors against licensed entities while one (1) was a case of possible misuse on inside information and market manipulation by directors of a listed entity.

*Disclaimer: The Securities Market Intermediaries' financial information used in the report are based on unaudited historical financial statements.*

## 6. Corporate Actions

The most significant corporate action during the year was the African Sun Limited's acquisition of Dawn Properties. The Commission made efforts to intervene in the transaction in order to protect the minority shareholders of Dawn Properties Limited (DPL).

Of the several resolutions tabled at the DPL EGM held on the 19th of October was an ordinary resolution to consider the proposed acquisition. Dawn property minorities were going to be prejudiced due to skewed valuations which resulted in a share swap ratio and advice that was not in the interest of all shareholders. The share swap ratio did not consider the fact that Dawn Properties had a much higher market value than African Sun at the time the transaction was being proposed. DPL was thus

set to be acquired at a significant discount. There was no evidence that the requisite valuation report had been received and considered during the assessment of the transaction. The same report was also needed to be availed for shareholder inspection. The transaction had the same majority shareholder in both DPL and African Sun. There was no evidence at the time of assessing the transaction that the related party was to be excluded from voting.

The Commission issued a statement and instituted an investigation on the financial advisor. This transaction was therefore eventually approved by a majority of the shareholders despite the Commission's objection to the proposed transaction.



## 7. SECZ Cooperation

### Local, regional and international engagement

SECZ continues to value the cooperation it is receiving from both local and international peer regulators.

SECZ is a member of the Committee of Insurance, Securities and Non-banking financial Authorities (CISNA). The CEO of the Commission is the current chairman of CISNA. CISNA's mandate is elaborated in Annex 10 of the Finance and Investment Protocol (FIP). FIP lies at the heart of the SADC vision to create a common market with harmonised regulatory and supervisory frameworks in line international best practices, standards and principles as set by the relevant international standard setting bodies.

Like every other CISNA member Authority SECZ is working towards tapping into global best practice through subscribing for membership to international standard setting bodies such as the International Organization of Securities Commissions (IOSCO). IOSCO brings together the world's securities regulators and is recognized as the global standard setter for the securities markets. IOSCO develops, implements, and promotes adherence to internationally recognized standards for securities regulation. It works closely with the G-20 and the

Financial Stability Board (FSB) on the global regulatory reform agenda. Work is therefore underway for SECZ to submit its IOSCO associate membership application next year.

### Innovation Hub and Reg Tech

Regulators across the world have used different approaches to embracing technology. SECZ is a member of the National Fintech Steering Committee, a collective initiative of all financial services sector regulators on embracing fintech products and services. While SECZ has started automating its regulatory processes, progress has been slowed by limited financial resources worsened by the outbreak of the pandemic. Plans are therefore underway for the Commission to facilitate ongoing national fintech efforts through the establishment of an innovation office for securities market specific fintech products and services.

An Innovation Office is a dedicated function within a regulator primarily meant to engage, communicate as well as guide innovators on issues relating to the market. It is often the first and cheaper step in the innovation journey, while a full regulatory sandbox is being considered, designed, and built.



## 8. Anti-Money Laundering and Combating of Financing of Terrorism (AML/CFT)

The Commission is part of National Task Force that was established to combat Money Laundering, Terrorism Financing and the Proliferation financing (ML/TF/PF) of weapons of mass destruction in the country. The Task Force is chaired by Financial Intelligence Unit (FIU) and is made up of Competent Supervisory Authorities. It is the National Policy of Zimbabwe to engage and coordinate all relevant supervisors across the financial service sector in order to combat ML/TF/PF. The implementation of National AML/CFT/PF Policy and Action Plan is to achieve set goals to meet international standards. This is being executed by a Technical National Task Force, a dedicated group of experts from all relevant supervisory authorities, tasked with monitoring the successful implementation of the National AML/CFT/PF Policy. One of the Commission's Staff members, Mr. T Nhundu chairs a National Task Force Compliance and Supervision Subcommittee.

### AML/CFT Risk Based Supervision

The Securities and Exchange Commission of Zimbabwe continue to comply with Recommendations 1 and 26 of Financial Action Task Force (FATF) which allows for a risk-based approach (RBA) to supervision and SECZ is currently conducting supervision by applying Risk-Based Approach to all Securities Market Intermediaries (SMIs).

### AML/FT/PF Inspections

The Commission conducted one full scope and one themed onsite inspection during the year ended 31 December 2020. The onsite inspections were conducted on EFE Securities (Private) Limited (Full-Scope), and Lynton Edwards Securities (Themed Scope). Weaknesses in these institutions' AML/CFT/PF frameworks were identified and corrective orders were issued.

The Commission did not conduct many on-site inspections in the year ended 31 December 2020 because of COVID-19 pandemic. All the SMIs were

monitored through off-site inspections and the Commission is geared for on-site inspections using various methods including data gathering tools like Questionnaires to conduct virtual supervision of institutions identified as high risk. The SECZ continue develop and keep up-to-date ML/TF/ and PF risk profiles of licensees and registrants. The Commission ensures, through virtual on-site and off-site monitoring, that all SMIs are periodically assessed.

### Sector Risk Assessment

The Commission conducted Sector Risk Assessment for the year ended 31 December 2020, which is the second edition undertaken following publication of the second National Risk Assessment (NRA) report in February 2020. The assessment's main objective was to enable the SECZ to reassess the AML/CFT/PF risks inherent in the various subsectors within the Securities Sector in order to influence SECZ's risk-based supervision process. The assessment report in conjunction with other guidance documents produced by the Commission, and supervisory activities:

- provide direction to Securities Market Intermediaries (SMIs) on the specific risks relevant to their sector, and
- assist SECZ in updating its knowledge and understanding of Money Laundering/ Terrorism Financing/ Proliferation Financing risks within the securities sector.

### Quarterly Risk Assessments

The Commission conducted an ML/FT/PF risk assessment for the Securities Custodians, Securities Asset/Investment Management, Securities Dealing Firms and Securities Exchanges for the quarter ended 31 December 2020. The risk assessment considered the nature, size and complexity of reporting entities' business, products, and services (including delivery methods), customer base, capacity in which their customers are operating (e.g., on their own behalf or on behalf of underlying customers), jurisdictions in

which they operate, and the effectiveness of risk controls put in place to arrive at residual risk. The comparative summaries of ML/TF/PF risk assessment for the four quarters of 2020 are shown in table 8.1.

**Table 8.1**  
**2020 Comparative Risk Assessment Summaries**

Sub-sector	SCORE			
	Q1	Q2	Q3	Q4
Investment Management	0.45	0.45	0.44	0.43
Dealing Firms	0.43	0.44	0.41	0.41
Custodians	0.48	0.48	0.47	0.45
Exchanges	0.38	0.38	0.41	0.40
<b>Overall Score</b>	<b>0.44</b>	<b>0.44</b>	<b>0.43</b>	<b>0.42</b>
<b>Overall Score for 2020</b>				<b>0.43</b>

The overall Securities sector ML/TF/PF risk score for the year ended 31 December 2020 was medium at a risk score 0.43. The statistics indicate an overall downward trend in Securities sector ML/TF/PF risk scores for the four quarters of 2020.

### **Investigation related to suspicious transactions**

During the year ended 31 December 2020, the Commission investigated Alpha Asset Management (Pvt) Limited after the FIU raised suspicion of transactions conducted by the market player. The Commission is finalising the investigation.

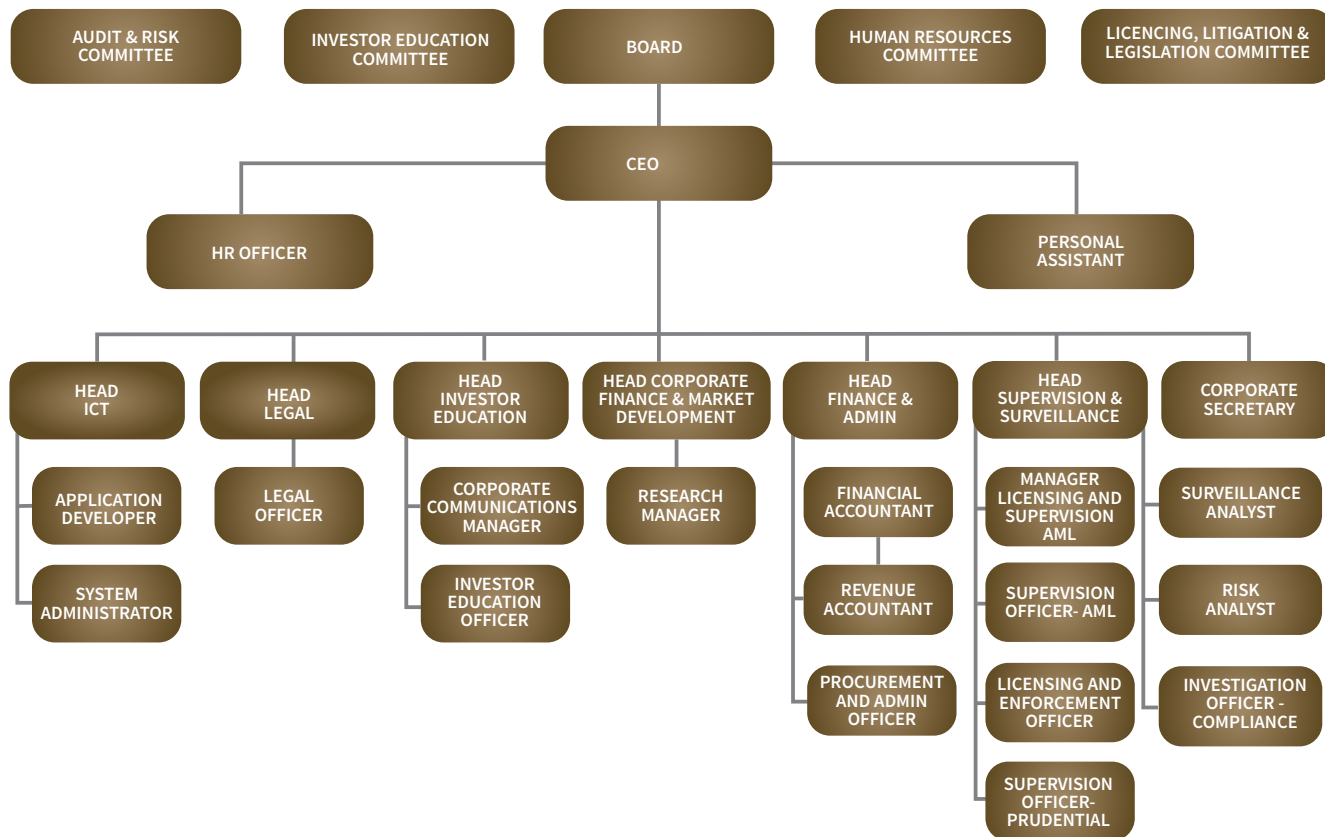
### **Penalties imposed on AML/CFT/PF Directive violations**

The Commission penalised 18 institutions for late submission of 2020 quarterly returns. Due to the Covid-19 induced lockdown measures during the year, the Commission extended the due date for submitting returns, thus cushioned some of the institutions that did not meet the 14th deadline for the fourth quarter. However, MMC Stockbrokers did not comply with the extended deadline either. The Commission issued a warning letter to the institution for their continued non-compliance.

## 9. SECZ's People

The total staff count for the year ending 2020 was 39 employees. We had 29 permanent employees and 10 attachment students.

Organisational Chart 2020



### Recruitments

The Commission recruited five new permanent staff members during the year. There were two new established positions, Head of Department Investor Education and Human Resources Officer. The Head of Department Investor Education was recruited to spearhead the Commission's Investor Education activities. One of the key results areas for the Commission was to increase participation in capital markets through various Investor Education initiatives and programmes. To drive and achieve this objective, there was need to recruit additional staff with the required skills and expertise. The HOD commenced work in September 2020.

The Commission has been growing in numbers over the years resulting in increased demands for professional Human Resources guidance and expertise. Management and the Board agreed to recruit a Human Resources Officer responsible for managing the overall HR administration, coordination

and evaluation of human resources plans, programs and policies. The Human Resources Officer commenced work in September 2020.

The Supervision and Surveillance department recruited three officers in 2020 to replace two who resigned and Bethwell Purazeni who sadly passed away in July. The recruited officers assumed the following roles, Supervision Officer AML, Surveillance Officer and Licencing Enforcement Officer. The Officers started work in October and December, respectively.

The Securities of Exchange Commission recognizes the importance of work-related learning through internships. Each year the Commission recruits students on attachment for its respective departments. A total of 10 students were recruited in 2020. This is to support the Zimbabwe tertiary system and to give educators and students industry-

based experiences and to finally prepare students for the labour force. The internship programme does equip students with the necessary skills and they also in turn bring fresh ideas and innovation to the capital markets industry. Two of the recruited officers in the Supervision and Surveillance department were once students at the Commission. This shows that students do benefit from our internship programmes, and we are an employer of choice among our past students.

In 2019, an Internship Innovation Challenge was launched to formally recognise and reward student's contribution over and above the allowances they receive. The challenge requires students to write and produce reports demonstrating how their innovation and contributions during their internship period aided the Commission. However due to the Covid 19 pandemic and lockdown, the challenge could not be done as students could no longer come to work. However, plans to do it in 2021 have been put in place.

#### **Terminations**

In addition to the two Supervision and Surveillance resignations of the Surveillance Manager and Supervision Officer in January and July, SECZ lost two other officers due to resignations. The legal department lost a Legal Officer and ICT department lost an ICT Officer in October and November, respectively.

#### **Covid-19 Health and Safety Measures**

Following the Covid-19 pandemic that hit the country in the first half of 2020, SECZ had to put in place measures to make the workplace compliant in accordance with the World Health Organisation and the Ministry of Health and Child Care guidelines and recommendations. The Commission appointed a Health and Safety Committee comprising of officers and an HOD being the Chairman. The committee's main mandate was and is to guide the Commission on health and safety issues especially regarding working in the current environment of the Covid pandemic. The Committee recommended measures which were implemented by Management in compliance with the pandemic guidelines. The guidelines included the suspension of external and face to face meetings. The Commission assisted with Covid PCR testing for all employees who showed Covid 19 symptoms, those that suspected any contact with a Covid 19 cases and all new employees.

Due to the pandemic, SECZ introduced remote

working in July 2020 to comply with the Covid 19 pandemic protocols and restrictions. During the last quarter 2020 when the restrictions were relaxed, employees were allowed to come to the office on rotation following departmental rosters. These measures were put in place to reduce the risk of spreading and contract Covid 19 through observing social distancing.

A Remote Working policy was introduced to guide all staff on the rules and provisions of working from home. Employee performance and progress was measured through various internal platforms such as Microsoft teams and SharePoint. The remote working policy covers; scope and eligibility, request process, attendance and availability, productivity measures and response measures.

#### **Staff Training**

Most planned and scheduled staff trainings for 2020 were postponed due to the Covid-19 pandemic. Head of Departments were encouraged to identify online courses and webinars which a couple of staff members managed to attend. The online courses completed includes the Fintech & Regulatory Innovation course offered by the Cambridge University attended by one manager and two officers. The Commission plans to resume all the suspended training in 2021 among them the Staff Development Programmes to be enrolled by all staff members.

#### **Diversity and Inclusion at SECZ**

The Commission encourages the inclusion of women in capital markets. This goal became evident with our 2020 staff count which saw 53% of our total staff compliment being women. Women have also been seen taking up executive positions, with the recruitment of the Head of Investor Education, making a total of three women in the Executive Committee.

Three of our female staff members also sat in the National Financial Inclusion Strategy Committee. This inclusion in national committees places the Commission in the forefront on national development issues as well as recognition from the relevant appointing departments and Ministries. One Manager was also appointed as Chairperson of CISNA Capital Markets Sub- Committee. Such appointments help the Commission to be recognised by the regional market players as well enhancing the skill set that we have as SECZ.

The image is a dark, monochromatic background featuring a close-up of a calculator and a pen resting on a document with faint, illegible text. The calculator is on the right side, showing buttons for 'OFF', 'CCE', 'MC', 'MR', and a numeric keypad. A pen is positioned diagonally across the center-left. The overall aesthetic is professional and business-oriented. The title 'Financial Statements' is centered in a white, bold, sans-serif font. There are decorative geometric shapes in the corners: a white and gold triangle in the top-left and a white, gold, and red triangle in the bottom-left.

# Financial Statements

# 10. Financial Statements

for the year ended 31 December 2020

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## GENERAL INFORMATION

for the year ended 31 December 2020

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### 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)

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### 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

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### ATTORNEYS

#### Scanlen & Holderness

CABS Centre  
74 Jason Moyo Ave  
Harare

#### Coghlan, Welsh & Guest

Cecil House  
2 Central Ave  
Harare

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#### Mawere Sibanda

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

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### 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

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#### The People's Own Savings Bank

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

#### Central African Building Society

3 Northend Close  
Northridge Park  
Highlands  
Harare

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## COMMISSIONERS' REPORT

for the year ended 31 December 2020

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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), Victoria Falls Stock Exchange (VFEX) 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 2020 are shown below:

	Year ended 31 December 2020 Inflation Adjusted ZWL	Year ended 31 December 2019 Inflation Adjusted ZWL	Year ended 31 December 2020 Historical ZWL	Year ended 31 December 2019 Historical ZWL
Total comprehensive surplus/(deficit) for the year	<u>17 739 709</u>	<u>(32 864 712)</u>	<u>38 240 513</u>	<u>4 857 662</u>

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

The Commissioners for 2020 were:

Livingstone Takudzwa Gwata	-	Chairman (Appointed 1 November 2016)
Pearson Chitando	-	Commissioner (Appointed 1 February 2012) (Retired 31 July 2020)
Harrison Nkomo	-	Commissioner (Appointed 1 February 2012) (Retired 31 July 2020)
Godfrey Piason Manungo	-	Commissioner (Appointed 1 July 2013)
Ethel Rumbidzai Chitanda	-	Commissioner (Appointed 1 November 2016)
Florence Ziumbe	-	Commissioner (Appointed 1 November 2016)
Paradza Paradza	-	Commissioner (Appointed 1 November 2016)
Yona Banda	-	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 2020 (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.	1	3	n/a	1	n/a
Nkomo H.	0	0	0	n/a	n/a
Manungo G.P	5	n/a	5	4	4
Chitanda E.R.	4	4	5	n/a	4
Banda Y.	5	5	5	n/a	4
Paradza P.	6	5	n/a	4	4
Ziumbe F.	5	n/a	2	2	3

## COMMISSIONERS' STATEMENT OF RESPONSIBILITY

for the year ended 31 December 2020

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The Commissioners are responsible for the preparation, integrity and objectivity of the financial statements, comprising the statement of financial position as at 31 December 2020, and the statement of comprehensive income, statement of changes in equity and statement of cashflows for the year ended 31 December 2020 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 44-47.

### Approval of the annual financial statements

The Commissioners' report set out on pages 41 to 43, and the financial statements set out on pages 47 to 77 respectively were approved by the Commissioners' board on 08 June 2021.

Signed on behalf of the Commissioners

.....	Chairman	} Date: 08 June 2021
.....	Audit Committee Chairman	
.....	Secretary	

## INDEPENDENT AUDITOR'S REPORT

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

#### REPORT ON THE AUDIT OF THE INFLATION ADJUSTED FINANCIAL STATEMENTS

##### Qualified Opinion

We have audited the inflation adjusted financial statements of Securities and Exchange Commission of Zimbabwe ("the Commission") set out on pages 47 to 77 which comprise the inflation adjusted statement of financial position as at 31 December 2020, and the inflation adjusted statement of profit or loss and other comprehensive income, the inflation adjusted statement of changes in equity and the inflation adjusted statement of cash flows for the year then ended, and the notes to the inflation adjusted financial statements, including a summary of significant accounting policies.

In our opinion, except for the effects of the matters described in the Basis for Qualified Opinion section of our report, the accompanying inflation adjusted financial statements present fairly, in all material respects, the inflation adjusted financial position of the Commission as at 31 December 2020, 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").

##### Basis for Qualified Opinion

1. Impact of incorrect date of application of International Accounting Standard (IAS) 21 "The Effects of Changes in Foreign Exchange Rates" on comparative financial information

The Commission did not comply with IAS 21 in the prior financial year, as it elected to comply with Statutory Instrument 33 of 2019 ("SI 33/19") from 22 February 2019. SI 33/19 fixed the exchange rate between the RTGS Dollar (now subsequently called the Zimbabwe Dollar) and the United States Dollar (USD) at a rate of 1:1 for the period up to its effective date. However, based on the requirements of IAS 21, there were events that had been identified that were indicative of economic fundamentals that would have required a change in functional currency as at 1 October 2018, which was a date prior to 22 February 2019. Had the Commission applied the requirements of IAS 21, many of the elements of the prior year financial statements, which are presented as comparative information, would have been materially impacted. Therefore, the departure from the requirements of IAS 21 were considered to be pervasive in the prior year. In addition, the IAS 29 'Financial Reporting in Hyperinflationary Economies' inflation adjustments were applied to incorrectly determined amounts, as a result of the non-compliance with IAS 21.

The financial effects on the inflation adjusted financial information of this departure were not determined. Furthermore, our opinion on the current year's financial results is modified because of the possible effects of the matter on the comparability of the current year's financial results with those of the prior year.

2. Reliability of ZWL Valuation of Investment Property Based on Attributes of Market Participants and Price as Prescribed in IFRS 13 'Fair Value Measurements'

As set out in note 10 to the inflation adjusted financial statements, the Commission engaged professional valuers to perform a fair valuation of investment property as at 31 December 2020. The fair value was determined in USD, and subsequently translated to the ZWL equivalent fair value using the closing USD/ZWL auction exchange rate as at 31 December 2020.

IFRS 13 defines fair value as the price that would be received to sell an asset in an orderly transaction between market participants at a measurement date. While we found the assumptions and methods used by the professional valuers to determine the USD valuation reasonable, we were unable to obtain sufficient appropriate evidence to support the appropriateness of the application of the ZWL/USD auction exchange rate in the determination of the final ZWL fair valuation presented

## **Basis for Qualified Opinion (continued)**

### **2. Reliability of ZWL Valuation of Investment Property Based on Attributes of Market Participants and Price as Prescribed in IFRS 13 'Fair Value Measurements' (continued)**

IFRS 13 requires:

- a fair value to be determined using the assumptions that market participants would use when pricing the asset, assuming market participants act in their economic best interests; and
- fair value to reflect the price that would be received to sell the asset in an orderly transaction in the principal market at the measurement date under current market conditions, regardless of whether that price is directly observable or estimated using another valuation technique.

We were therefore unable to obtain sufficient appropriate evidence to support the appropriateness of simply applying the closing ZWL/USD auction exchange rate in determining the ZWL fair value of investment property, without any further adjustments to reflect how the economic conditions within the country as at that measurement date would impact the assumptions that market participants would use in pricing the items of investment property in ZWL. Such matters include, but are not limited to:

- the correlation of the responsiveness of ZWL valuations of investment property to the auction exchange rate and related underlying USD values; and
- the extent to which supply and demand for the items of investment property reflects the implications on market dynamics of the auction exchange rate.

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Inflation Adjusted Financial Statements section of our report. We are independent of the Commission in accordance with the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) (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 qualified opinion.

### **Key Audit Matters**

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole and in forming our opinion thereon, and we do not provide a separate opinion on these matters. Other than the matters described in the Basis for Qualified Opinion section of our report, we have not determined any other matters of significance to be classified as key audit matters.

### **Other Information**

The Commissioners are responsible for the other information. The other information comprises the Commissioners' Report, the Commissioners' Statement of Responsibility and the historical cost financial information which we obtained prior to the date of this auditor's report. The other information does not include the inflation adjusted financial statements and our auditor's report thereon.

Our opinion on the inflation adjusted 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.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. Given the nature of the matters set out in the Basis for Qualified Opinion section above, we have determined that the other information is materially misstated for the same reasons. 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 Inflation Adjusted 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 (IFRSs) and for such internal control as the Commissioners determine is necessary to enable the preparation of the inflation adjusted 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 Inflation Adjusted Financial Statements**

Our objectives are to obtain reasonable assurance about whether the inflation adjusted 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 inflation adjusted 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 inflation adjusted 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 inflation adjusted 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 inflation adjusted 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.

From the matters communicated with the Commissioners, we determine those matters that were of most significance in the audit of the inflation adjusted 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: \_\_\_\_\_

## STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2020

	Notes	2020 ZWL Inflation Adjusted	2019 ZWL Inflation Adjusted	2020 ZWL *Historical	2019 ZWL *Historical
<b>INCOME</b>					
Securities levy	2.1	76 866 556	96 083 744	55 868 823	6 684 756
Other levies	2.2	7 839 212	9 049 818	5 221 256	750 344
License fees	3	11 144 103	6 481 977	2 919 500	282 100
Increase in fair value of investments		8 410 325	1 862 935	5 903 366	223 531
Interest income	4	366 158	1 282 096	224 663	94 367
Foreign exchange gain		336 304	496 937	201 838	45 020
Other income	5	877 549	1 541 213	536 305	194 264
Fair value gain on investment property	10	1 948 306	22 541 225	20 771 712	5 025 000
		<b>107 788 513</b>	<b>139 339 945</b>	<b>91 647 463</b>	<b>13 299 382</b>
<b>EXPENDITURE</b>					
Staff costs	6	(54 548 153)	(63 912 166)	(36 947 981)	(5 342 399)
Commissioners' costs	7	(1 549 470)	(2 352 733)	(1 203 120)	(206 383)
Administration expenses	8	(15 715 078)	(23 079 177)	(11 074 602)	(2 249 114)
Impairment (losses)/reversal on financial assets		(706 698)	56 342	(706 048)	12 560
Lease finance charges		(1 900 619)	(1 269 437)	(1 140 719)	(138 902)
Net monetary loss		(11 889 024)	(76 589 658)	-	-
Depreciation	9.1	(3 739 763)	(5 057 828)	(2 334 480)	(517 482)
		<b>(90 048 804)</b>	<b>(172 204 657)</b>	<b>(53 406 950)</b>	<b>(8 441 720)</b>
<b>Surplus/(Deficit) for the year before tax</b>		<b>17 739 709</b>	<b>(32 864 712)</b>	<b>38 240 513</b>	<b>4 857 662</b>
Taxation	11	-	-	-	-
<b>Surplus/(Deficit) for the year</b>		<b>17 739 709</b>	<b>(32 864 712)</b>	<b>38 240 513</b>	<b>4 857 662</b>
<b>OTHER COMPREHENSIVE INCOME</b>					
		-	-	-	-
<b>Total comprehensive surplus/(deficit) for the year</b>		<b>17 739 709</b>	<b>(32 864 712)</b>	<b>38 240 513</b>	<b>4 857 662</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 2020

	Notes	2020 ZWL Inflation Adjusted	2019 ZWL Inflation Adjusted	2020 ZWL *Historical	2019 ZWL *Historical
<b>ASSETS</b>					
<b>Non-current assets</b>					
Property and equipment	9.1	32 616 633	31 261 293	3 593 057	2 016 767
Investment property	10	26 171 712	24 223 406	26 171 712	5 400 000
Non-current portion of trade and other receivables	14	132 154	256 928	132 154	57 276
		<b>58 920 499</b>	<b>55 741 627</b>	<b>29 896 923</b>	<b>7 474 043</b>
<b>Current assets</b>					
Cash and cash equivalents	13	3 630 781	8 663 341	3 630 781	1 931 273
Financial assets at fair value through profit or loss	12	11 286 431	2 257 737	11 286 431	503 306
Financial assets at amortized cost	12	-	312 242	-	69 607
Trade and other receivables	14	4 000 615	4 959 573	4 000 615	1 105 612
Prepayments		4 340 331	1 069 446	4 293 393	238 406
		<b>23 258 158</b>	<b>17 262 339</b>	<b>23 211 220</b>	<b>3 848 204</b>
<b>TOTAL ASSETS</b>		<b>82 178 657</b>	<b>73 003 966</b>	<b>53 108 143</b>	<b>11 322 247</b>
<b>EQUITY AND LIABILITIES</b>					
<b>Equity</b>					
Accumulated fund		75 159 080	57 419 371	46 088 566	7 848 054
		<b>75 159 080</b>	<b>57 419 371</b>	<b>46 088 566</b>	<b>7 848 054</b>
<b>Long term liabilities</b>					
Non-current lease liability	8.4	-	3 226 683	-	719 308
<b>Current liabilities</b>					
Amounts received in advance and other payables	15	4 505 617	8 717 210	4 505 617	1 943 282
Current lease liability	8.4	2 513 960	3 640 702	2 513 960	811 603
		<b>7 019 577</b>	<b>12 357 912</b>	<b>7 019 577</b>	<b>2 754 285</b>
<b>TOTAL EQUITY FUND AND LIABILITIES</b>		<b>82 178 657</b>	<b>73 003 966</b>	<b>53 108 143</b>	<b>11 322 247</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

Date: 08 June 2021

.....  
Secretary



## STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2020

	Notes	Accumulated funds ZWL Inflation Adjusted	Total ZWL Inflation Adjusted
Balance at 1 January 2019		90 284 083	90 284 083
<b>Total comprehensive deficit for the year</b> Deficit for the year		(32 864 712)	(32 864 712)
Balance at 31 December 2019		57 419 371	57 419 371
<b>Total comprehensive surplus for the year</b> Surplus for the year		17 739 709	17 739 709
Balance at 31 December 2020		75 159 080	75 159 080

	Accumulated funds ZWL *Historical	Revaluation surplus ZWL *Historical	Total ZWL *Historical
Balance at 1 January 2019	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
<b>Total comprehensive surplus for the year</b> Surplus for the year	38 240 513	-	38 240 513
Balance at 31 December 2020	46 088 567	-	46 088 567

\*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 2020

	Notes	2020 ZWL Inflation Adjusted	2019 ZWL Inflation Adjusted	2020 ZWL *Historical	2019 ZWL *Historical
<b>Cash flows from operating activities</b>					
<b>Surplus/(Deficit) for the year before tax</b>		<b>17 739 709</b>	<b>(32 864 712)</b>	<b>38 240 513</b>	<b>4 857 662</b>
<u>Adjustments for:</u>					
Effects of changes in monetary value		(5 235 330)	24 607 630	-	-
Depreciation	9.1	3 739 763	5 057 828	2 334 480	517 482
Loss/(Profit) on disposal of non-current assets		465	26 771	465	1 064
Lease finance charges		1 900 619	1 269 436	1 140 718	138 902
Interest income		(366 158)	(1 282 096)	(224 663)	(94 367)
Bad debts written-off		17 048	-	17 048	-
Fair value gains on investment property		(1 948 306)	(22 541 225)	(20 771 712)	(5 025 000)
<b>Operating cash flows before changes in Working capital</b>		<b>15 847 810</b>	<b>(25 726 368)</b>	<b>20 736 850</b>	<b>395 743</b>
<u>Changes in working capital:</u>					
Decrease/ (Increase) in trade and other receivables, net of impairment		958 958	992 899	(2 969 881)	(650 351)
(Increase) in prepayments		(3 270 885)	(84 602)	(4 054 987)	(203 060)
(Decrease)/Increase in accounts payable		(4 211 593)	(3 621 238)	2 562 334	1 499 998
<b>Net cash generated from/(utilized in) operating activities</b>		<b>9 324 290</b>	<b>(28 439 309)</b>	<b>16 274 315</b>	<b>1 042 330</b>
<b>Cash flows from investing activities</b>					
Interest received		366 158	1 282 096	224 663	94 367
(Increase)/Decrease in financial assets		(9 028 694)	22 084 815	(10 713 518)	311 946
Lease finance charges		(1 900 619)	(1 269 436)	(1 140 718)	(138 902)
Payments for property and equipment	9.1	(1 571 548)	(10 143 445)	(1 314 118)	(125 400)
<b>Net cash (utilized in)/generated from investing activities</b>		<b>(12 134 703)</b>	<b>11 954 030</b>	<b>(12 943 691)</b>	<b>142 011</b>
<b>Net cash (utilized in) financing activities</b>					
Lease financing liability paid		(2 222 146)	(899 352)	(1 631 116)	(187 928)
<b>Net (decrease) / increase in cash and cash equivalents</b>		<b>(5 032 560)</b>	<b>(17 384 631)</b>	<b>1 699 508</b>	<b>996 413</b>
Cash and cash equivalents at the beginning of the year		8 663 341	26 047 972	1 931 273	934 860
<b>Cash and cash equivalents at the end of the year</b>	13	<b>3 630 781</b>	<b>8 663 341</b>	<b>3 630 781</b>	<b>1 931 273</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 2020

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### 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 2019 financial year as a result of the absence of an observable foreign exchange market prior to 22 February 2019, the Commission was unable to meet the requirements of IAS 21. In respect of the current financial year on 23 June 2020 the Reserve Bank of Zimbabwe introduced a foreign exchange auction market. Based on allotments a weighted average rate is calculated and the average rate is used as the market exchange rate until a new weighted average rate will be determined at a subsequent auction. The commission adopts this market rate.

#### 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 2020

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### 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).

Dates	Indices
31 December 2017	62.5
31 December 2018	88.8
31 December 2019	551.6
31 December 2020	2,474.51

### 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 2020, 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 2020, or subsequently:

#### Effective for the financial year commencing 1 January 2021 and beyond

##### *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.

- 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 2021

IAS 39 Financial Instruments: Recognition and Measurement Amendments regarding pre-replacement issues in the context of the IBOR reform (Annual periods beginning on or after 1 January 2021)

##### *IFRS 3 Business Combinations*

IFRS 3 Business combinations Amendments updating a reference to the Conceptual Framework (Annual periods beginning on or after 1 January 2022).

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.

IAS 16 Property, Plant and Equipment - Amendments prohibiting a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing the asset for its intended use (Annual periods beginning on or after 1 January 2022).

IAS 37 Provisions, Contingent Liabilities and Contingent Assets - Amendments regarding the costs to include when assessing whether a contract is onerous (Annual periods beginning on or after 1 January 2022).

IFRS 17 insurance contracts replaces IFRS 4 on January 1st 2022. It states which insurance contracts items should be on the balance and the profit and loss account of an insurance company, how to measure these items and how to present and disclose this information.

Amendments regarding the classification of liabilities (Annual periods beginning on or after 1 January 2023).

IAS 1 Presentation of Financial Statements - Amendment to defer the effective date of the January 2020 amendments. (Annual periods beginning on or after 1 January 2023).

IAS 1 Presentation of Financial Statements - Amendments regarding the disclosure of accounting policies. (Annual periods beginning on or after 1 January 2023).

IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors. Amendments regarding the definition of accounting estimates. (Annual periods beginning on or after 1 January 2023).

## SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

for the year ended 31 December 2020

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

### 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 2020

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### 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:

- 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 2020

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### 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 2020

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#### 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 2020

### 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.

	2020 ZWL Inflation Adjusted	2019 ZWL Inflation Adjusted	2020 ZWL Historical	2019 ZWL Historical
Securities levy	76 866 556	96 083 744	55 868 823	6 684 756

#### 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. Investment manager levy is 0.5% of the gross income of asset managers.

	2020 ZWL Inflation Adjusted	2019 ZWL Inflation Adjusted	2020 ZWL Historical	2019 ZWL Historical
Corporate action levy	81 557	152 584	70 005	11 963
Investment advisor levy	538 082	1 128 372	375 883	103 488
Investment manager levy	6 081 161	5 891 931	3 995 893	472 702
Central Securities Depository levy	216 954	304 685	163 256	21 628
Securities custodian levy	601 726	1 239 671	392 891	111 025
Securities transfer secretary levy	319 732	332 575	223 328	29 538
	<b>7 839 212</b>	<b>9 049 818</b>	<b>5 221 256</b>	<b>750 344</b>

## NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2020

	2020 ZWL Inflation Adjusted	2019 ZWL Inflation Adjusted	2020 ZWL Historical	2019 ZWL Historical
<b>3. LICENCE FEES</b>				
Custodians	879 638	163 843	202 000	7 000
Dealing Firms	2 260 977	1 332 299	533 000	59 000
Investment advisor	1 812 242	825 924	468 000	34 000
Stock brokers	1 491 048	1 654 029	337 500	66 000
Stock exchange	335 911	125 801	150 000	5 000
Transfer secretaries	197 469	113 221	45 000	4 500
Investment managers	2 805 868	1 580 344	870 000	78 000
Securities depository	219 409	125 801	50 000	5 000
Collective investment schemes	966 013	460 076	224 000	19 600
FINSEC Alternative Trading Bourse	175 528	100 639	40 000	4 000
	<b>11 144 103</b>	<b>6 481 977</b>	<b>2 919 500</b>	<b>282 100</b>
<b>4. INTEREST INCOME</b>				
Interest on short term investments	273 083	838 759	182 879	61 684
Interest on staff loans	93 075	443 337	41 784	32 683
	<b>366 158</b>	<b>1 282 096</b>	<b>224 663</b>	<b>94 367</b>
<b>5. OTHER INCOME</b>				
Tender fees	4 281	6 959	2 500	556
Training sponsorship	-	-	-	-
Late payment charge	348 889	424 725	260 996	78 916
Rent received	327 055	314 763	200 000	24 244
Sundry	197 324	758 820	72 809	88 948
Profit on disposal of non-current assets	-	-	-	-
Bad debts recovered	-	35 946	-	1 600
	<b>877 549</b>	<b>1 541 213</b>	<b>536 305</b>	<b>194 264</b>
<b>6. STAFF COSTS</b>				
Salaries	41 162 215	53 136 509	27 510 704	4 309 656
Bonuses	2 792 184	-	2 022 999	-
Leave pay	823 460	1 701 090	577 381	200 098
Medical aid	4 061 073	2 004 146	2 919 764	175 826
Other staff costs	3 669 491	3 761 293	2 604 565	400 717
Pension	593 564	2 166 559	327 685	168 592
Staff training	1 338 754	1 142 569	889 498	87 510
Staff recruitment	107 412	-	95 385	-
	<b>54 548 153</b>	<b>63 912 166</b>	<b>36 947 981</b>	<b>5 342 399</b>
<b>7. COMMISSIONERS' COSTS</b>				
Retainer cost	988 683	1 497 415	721 320	117 430
Sitting fees	466 869	855 318	392 647	88 953
Data cost	93 918	-	89 153	-
	<b>1 549 470</b>	<b>2 352 733</b>	<b>1 203 120</b>	<b>206 383</b>

## NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2020

7.1.	2020 (ZWL) Inflation adjusted	Data	Retainer	Sitting Fees	Total
	L. T Gwata	15 149	192 979	67 061	275 189
	P. Chitando	3 024	76 222	21 954	101 200
	H. Nkomo	-	76 222	-	76 222
	G.P. Manungo	15 149	128 652	82 319	226 120
	E. Chitanda	15 149	128 652	75 507	219 308
	Y. Banda	15 149	128 652	76 895	220 696
	P. Paradza	15 149	128 652	89 614	233 415
	F. Ziumbe	15 149	128 652	53 519	197 320
		<b>93 918</b>	<b>988 683</b>	<b>466 869</b>	<b>1 549 470</b>

2019 (ZWL) Inflation adjusted	Retainer	Sitting Fees	Total
L. T Gwata	244 653	118 272	362 925
P. Chitando	178 966	103 562	282 528
H. Nkomo	178 966	42 982	221 948
G.P. Manungo	178 966	124 620	303 586
E.R Chitanda	178 966	100 965	279 931
Y. Banda	178 966	121 157	300 123
P. Paradza	178 966	122 020	300 986
F. Ziumbe	178 966	121 740	300 706
	<b>1 497 415</b>	<b>855 318</b>	<b>2 352 733</b>

2020 (ZWL) Historical	Data	Retainer	Sitting Fees	Total
L. T Gwata	14 390	145 080	52 760	212 230
P. Chitando	2 813	46 320	15 837	64 970
H. Nkomo	-	46 320	-	46 320
G.P. Manungo	14 390	96 720	71 930	183 040
E. Chitanda	14 390	96 720	65 800	176 910
Y. Banda	14 390	96 720	64 850	175 960
P. Paradza	14 390	96 720	72 880	183 990
F. Ziumbe	14 390	96 720	48 590	159 700
	<b>89 153</b>	<b>721 320</b>	<b>392 647</b>	<b>1 203 120</b>

2019 (ZWL) Historical	Retainer	Sitting Fees	Total
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>

## NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2020

	2020 ZWL Inflation Adjusted	2019 ZWL Inflation Adjusted	2020 ZWL Historical	2019 ZWL Historical
<b>8. ADMINISTRATION EXPENSES</b>				
Advertising and promotions	1 611 184	1 827 998	1 499 241	146 808
External audit fees	1 766 000	1 323 310	1 766 000	295 000
Internal audit fees	491 023	670 384	491 023	65 086
Consultancy	343 936	197 281	109 730	10 620
Donations and gifts (Note 8.1)	31 552	17 183	29 348	3 827
Legal fees	-	485 866	-	48 436
Loss on disposal	465	26 771	465	1 064
Other operational expenses	7 811 350	5 814 337	5 082 072	670 529
Repairs and maintenance	1 651 466	2 587 156	1 209 989	197 398
Travel	2 008 102	10 128 906	886 734	810 346
	<b>15 715 078</b>	<b>23 079 192</b>	<b>11 074 602</b>	<b>2 249 114</b>
<b>8.1 Donations and gifts</b>				
Bindura University of Science & Technology prizes	-	-	-	-
Cleaners' hampers	31 552	17 183	29 348	3 827
	<b>31 552</b>	<b>17 183</b>	<b>29 348</b>	<b>3 827</b>
<b>8.2 Operating lease – payments for the year</b>				
Lease payments	-	-	-	-
<b>8.2.1 Rent - lease</b>				
<b>Minimum lease payments</b>				
Not later than one year	2 513 960	3 640 702	2 513 960	811 603
Later than one year not later than five years	-	3 226 683	-	719 308
Later than five years	-	-	-	-
	<b>2 513 960</b>	<b>6 867 385</b>	<b>2 513 960</b>	<b>1 530 911</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 2nd 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 2020

	2020 ZWL Inflation Adjusted	2019 ZWL Inflation Adjusted	2020 ZWL Historical	2019 ZWL Historical
<b>8.3 Right of use assets</b>				
<b>Balance at beginning of year</b>	<b>6 616 831</b>	-	<b>1 475 063</b>	-
Initial adoption of IFRS 16	-	1 344 148	-	299 355
Depreciation	(3 018 581)	(1 093 530)	(1 934 621)	(243 776)
Arising from lease reassessment	3 524 019	6 884 497	2 597 117	1 419 484
Arising from monetary adjustments	-	(518 284)	-	-
<b>Balance at end of year</b>	<b>7 122 269</b>	<b>6 616 831</b>	<b>2 137 559</b>	<b>1 475 063</b>
<b>8.4 Lease liabilities</b>				
<b>Balance at beginning of year</b>	<b>6 867 385</b>	-	<b>1 530 911</b>	-
Initial adoption of IFRS 16	-	7 237 770	-	287 683
Add accrued interest posted to profit and loss	1 900 619	1 269 441	1 140 718	138 902
Less lease commitments paid during the year	(4 122 766)	(3 199 840)	(2 771 835)	(326 830)
Arising from lease remeasurement	3 524 019	(9 551 908)	2 614 166	1 431 156
Arising from monetary adjustments	(5 655 297)	11 111 922	-	-
<b>Balance at end of year</b>	<b>2 513 960</b>	<b>6 867 385</b>	<b>2 513 960</b>	<b>1 530 911</b>
Current lease liability	2 513 960	3 640 702	2 513 960	811 603
Non-current lease liability	-	3 226 683	-	719 308
	<b>2 513 960</b>	<b>6 867 385</b>	<b>2 513 960</b>	<b>1 530 911</b>

## NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2020

### 9. PROPERTY AND EQUIPMENT

#### 9.1 Reconciliation of carrying amounts

Cost/ valuation (Inflation Adjusted)	Right of use asset ZWL	Motor Vehicles ZWL	Computer Equipment ZWL	Furniture Fittings ZWL	Total ZWL
At 1 January 2020	7 710 361	3 807 070	20 064 756	19 685 129	51 267 316
Additions	-	-	887 198	684 350	1 571 548
Disposals	-	-	(4 230)	(1 736)	(5 966)
Revaluation	3 524 019	-	-	-	3 524 019
<b>Cost/valuation 31 December 2020</b>	<b>11 234 380</b>	<b>3 807 070</b>	<b>20 947 724</b>	<b>20 367 743</b>	<b>56 356 917</b>
<b>Depreciation &amp; impairment</b>					
At 1 January 2020	1 093 530	3 807 070	8 488 680	6 616 742	20 006 022
Depreciation for the year	3 018 581	-	500 000	221 182	3 739 763
Disposals	-	-	(3 765)	(1 736)	(5 501)
<b>Balance at 31 December 2020</b>	<b>4 112 111</b>	<b>3 807 070</b>	<b>8 984 915</b>	<b>6 836 188</b>	<b>23 740 284</b>
<b>Net book values at 1 January 2020</b>	<b>6 616 831</b>	<b>-</b>	<b>11 576 075</b>	<b>13 068 387</b>	<b>31 261 293</b>
<b>Net book values at 31 December 2020</b>	<b>7 122 269</b>	<b>-</b>	<b>11 962 810</b>	<b>13 531 555</b>	<b>32 616 633</b>

## NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2020

### 9. PROPERTY AND EQUIPMENT (continued)

#### 9.1 Reconciliation of carrying amounts (continued)

	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	-	3 807 070	18 550 850	18 833 859	41 191 779
Additions	7 710 361	-	1 581 814	851 270	10 143 445
Disposals	-	-	(67 908)	-	(67 908)
<b>Cost/valuation 31 December 2019</b>	<b>7 710 361</b>	<b>3 807 070</b>	<b>20 064 756</b>	<b>19 685 129</b>	<b>51 267 316</b>
<b>Depreciation &amp; impairment</b>					
At 1 January 2019	-	3 807 070	5 670 420	5 496 075	14 973 565
Depreciation for the year	1 093 530	-	2 843 631	1 120 667	5 057 828
Disposals	-	-	(25 370)	-	(25 370)
<b>Balance at 31 December 2019</b>	<b>1 093 530</b>	<b>3 807 070</b>	<b>8 488 681</b>	<b>6 616 742</b>	<b>20 006 023</b>
<b>Net book values at 1 January 2019</b>	<b>-</b>	<b>-</b>	<b>12 880 430</b>	<b>13 337 784</b>	<b>26 218 214</b>
<b>Net book values at 31 December 2019</b>	<b>6 616 831</b>	<b>-</b>	<b>11 576 075</b>	<b>13 068 387</b>	<b>31 261 293</b>

## NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2020

### 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 2020	1 718 839	98 557	564 323	511 181	2 892 900
Additions	-	-	845 003	469 115	1 314 118
Revaluation	2 597 117	-	-	-	2 597 117
Disposals	-	-	(4 230)	(1 736)	(5 966)
<b>Cost/revaluation 31 December 2020</b>	<b>4 315 956</b>	<b>98 557</b>	<b>1 405 096</b>	<b>978 560</b>	<b>6 798 169</b>
<b>Depreciation &amp; impairment</b>					
At 1 January 2020	243 776	98 557	337 989	195 811	876,133
Depreciation for the year	1 934 621	-	271 244	128 615	2 344 480
Disposals	-	-	(3 765)	(1 736)	(5 501)
<b>Balance at 31 December 2020</b>	<b>2 178 397</b>	<b>98 557</b>	<b>605 468</b>	<b>322 690</b>	<b>3 205 112</b>
<b>Net book values at 1 January 2020</b>	<b>1 475 063</b>	<b>-</b>	<b>226 334</b>	<b>315 370</b>	<b>2 016 767</b>
<b>Net book values at 31 December 2020</b>	<b>2 137 559</b>	<b>-</b>	<b>799 628</b>	<b>655 870</b>	<b>3 593 057</b>



## NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2020

### 9. PROPERTY AND EQUIPMENT (continued)

#### 9.1 Reconciliation of carrying amounts (continued)

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/valuation 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)	-	(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 2020

### 10. INVESTMENT PROPERTY

	2020 ZWL Inflation Adjusted	2019 ZWL Inflation Adjusted	2020 ZWL Historical	2019 ZWL Historical
Balance as at 1 January	24 223 406	1 682 181	5 400 000	375 000
Transfers from Property Plant & Equipment	-	-	-	-
Net gains from fair value adjustments	<u>1 948 306</u>	<u>22 541 225</u>	<u>20 771 712</u>	<u>5 025 000</u>
	<u>26 171 712</u>	<u>24 223 406</u>	<u>26 171 712</u>	<u>5 400 000</u>

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, Southbay Real Estate at the end of 2020. 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 Southbay Real Estate (Private) Limited as at 31 December 2020 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, Southbay Real Estate (Private) Limited at 31 December 2020. 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 2020

### 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

	2020 ZWL Inflation Adjusted	2019 ZWL Inflation Adjusted	2020 ZWL Historical	2019 ZWL Historical
Equity Investments	-	-	-	-
Unit trusts	11 286 431	2 257 737	11 286 431	503 306
	<u>11 286 431</u>	<u>2 257 737</u>	<u>11 286 431</u>	<u>503 306</u>

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.

	2020 ZWL Inflation Adjusted	2019 ZWL Inflation Adjusted	2020 ZWL Historical	2019 ZWL Historical
<b>AT AMORTISED COST</b>				
Reserve Bank of Zimbabwe savings bonds	-	312 242	-	69 607
	<u>-</u>	<u>312 242</u>	<u>-</u>	<u>69 607</u>

## NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2020

	ZWL Inflation	ZWL Inflation Adjusted	ZWL Historical Adjusted	ZWL Historical
<b>13. CASH AND CASH EQUIVALENTS</b>				
Money market investments	2 513 843	4 442 254	2 513 843	990 287
Cash at bank RTGS	865 515	3 971 296	865 515	885 301
Cash at bank Nostro	4 092	22 221	4 092	4 954
Cash on hand RTGS	8	37	8	8
Cash on hand forex	247 323	227 533	247 323	50 723
	<b>3 630 781</b>	<b>8 663 341</b>	<b>3 630 781</b>	<b>1 931 273</b>
<b>14. TRADE AND OTHER RECEIVABLES</b>				
Trade debtors	3 770 044	1 100 009	3 770 044	245 219
Staff loans– current portion	130 004	1 479 732	130 004	329 869
Amounts receivable from Commissioners	-	1 525 110	-	339 985
Tax on overpaid Commissioner Fees	-	750 230	-	167 245
Sundry debtors	100 567	104 492	100 567	23 294
	<b>4 000 615</b>	<b>4 959 573</b>	<b>4 000 615</b>	<b>1 105 612</b>
Staff loans – non-current portion	132 154	256 928	132 154	57 276
	<b>4 132 769</b>	<b>5 216 501</b>	<b>4 132 769</b>	<b>1 162 888</b>
<p>Loans to staff were charged interest at a rate of 8.5% per annum in 2020 on a monthly reducing balance. Staff Loans are repaid through monthly instalments deducted from the employee’s salary.</p>				
<b>14.1 RECONCILIATION OF IMPAIRMENT</b>				
Balance at the beginning of the year	162 668	282 250	36 229	62 862
Increase in loss allowance	563 722	-	690 161	-
Decrease in loss allowance	-	(119 582)	-	(26 633)
	<b>726 390</b>	<b>162 668</b>	<b>726 390</b>	<b>36 229</b>
<b>15. AMOUNTS RECEIVED IN ADVANCE AND OTHER PAYABLES</b>				
Licence fees received in advance	257 948	5 608 060	257 948	1 250 176
Payroll payables	929 887	1 427 916	929 887	318 318
Provisions and accruals	3 317 781	1 681 234	3 317 781	374 788
	<b>4 505 617</b>	<b>8 717 210</b>	<b>4 505 617</b>	<b>1 943 282</b>

## NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2020

### 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. Treasury did not disburse a grant to the Commission in 2020 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. In 2019 there were no related party transactions with the parent Ministry. Parent Ministry expenses paid by the Commission in 2020 were as follows:

2020	Inflation adjusted ZWL	Historical ZWL
Token of appreciation for officiating	22 798	21 109
Return flight to Bulawayo	123 263	114 132
Accommodation in Bulawayo	116 640	108 000
<b>Total</b>	<b>262 701</b>	<b>243 241</b>

#### 16.2 Hampers for cleaners

In 2020 the Commission donated 4 hampers of basic commodities worth ZWL 31 552 to cleaners who clean the offices.

In 2019 the Commission donated 6 hampers of basic commodities worth ZWL 16 147 to cleaners who clean the offices and a bottle of wine worth ZWL 1 036 to the Premises Administrator. These figures are adjusted for inflation.

#### 16.3 Commissioner Board Fees overpaid

In 2020 Commissioners fully repaid excess Board fees that had been overpaid in 2019.

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 was repaid as at 31 December 2020 and the balances owing as at 31 December 2019.

Commissioner	Overpayment net of tax (ZWL)			Repaid	Monetary loss	Balance
	Opening Balance	Retainer	Sitting fee			
<b>2020</b>	<b>Inflation adjusted</b>					
L.T Gwata	178 490	-	-	(122 893)	(55 597)	-
P. Chitando	172 582	-	-	(114 456)	(58 126)	-
H. Nkomo	137 871	-	-	(103 843)	(34 028)	-
G. P Manungo	221 953	-	-	(169 082)	(52 871)	-
E.R Chitanda	175 682	-	-	(98 429)	(77 253)	-
Y. Banda	200 028	-	-	(152 460)	(47 568)	-
P. Paradza	233 321	-	-	(177 732)	(55 589)	-
F. Ziumbe	205 183	-	-	(133 123)	(72 060)	-
<b>Total</b>	<b>1 525 110</b>	<b>-</b>	<b>-</b>	<b>(1 072 018)</b>	<b>(453 092)</b>	<b>-</b>

## NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2020

### 16. RELATED PARTY DISCLOSURES (Continued)

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

Commissioner	Overpayment net of tax (ZWL)					
2019	Inflation adjusted					
	Retainer	Sitting fee	Total	Repaid	Monetary loss	Balance
L.T Gwata	486 639	230 463	717 102	(117 977)	(420 635)	178 490
P. Chitando	392 948	245 984	638 932	(90 506)	(375 844)	172 582
H. Nkomo	363 566	125 361	488 927	(55 279)	(295 777)	137 871
G. P Manungo	426 632	335 651	762 283	(112 105)	(428 225)	221 953
E.R Chitanda	374 664	249 447	624 111	(80 229)	(368 200)	175 682
Y. Banda	368 106	344 632	712 738	(96 319)	(416 391)	200 028
P. Paradza	428 929	399 372	828 301	(108 480)	(486 500)	233 321
F. Ziumbe	377 042	358 785	735 827	(98 736)	(431 908)	205 183
<b>Total</b>	<b>3 218 526</b>	<b>2 289 695</b>	<b>5 508 221</b>	<b>(759 631)</b>	<b>(3 223 480)</b>	<b>1 525 110</b>

Commissioner	Overpayment net of tax (ZWL)				
	Historical				
2020	Balance 1 Jan	Overpaid fees		Repaid	Balance
L.T Gwata	39 789	-		(39 789)	-
P. Chitando	38 472	-		(38 472)	-
H. Nkomo	30 735	-		(30 735)	-
G. P Manungo	49 480	-		(49 480)	-
E.R Chitanda	39 165	-		(39 165)	-
Y. Banda	44 591	-		(44 591)	-
P. Paradza	52 013	-		(52 013)	-
F. Ziumbe	45 740	-		(45 740)	-
<b>Total</b>	<b>339 985</b>	<b>-</b>		<b>(339 985)</b>	<b>-</b>

Commissioner	Overpayment net of tax (ZWL)				
2019	Historical				
	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)	38 472
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)	39 165
Y. Banda	25 677	33 197	58 874	(14 283)	44 591
P. Paradza	29 920	38 323	68 243	(16 230)	52 013
F. Ziumbe	26 301	34 184	60 485	(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>

## NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2020

### 16. RELATED PARTY DISCLOSURES (Continued)

#### 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

	2020 ZWL Inflation Adjusted	2019 ZWL Inflation Adjusted	2020 ZWL Historical	2019 ZWL Historical
<b>Short-term employee benefits</b>	<b>25 743 352</b>	<b>25 818 055</b>	<b>17 090 227</b>	<b>2 049 391</b>
Chief Executive Officer	4 266 000	5 239 178	2 842 918	418 415
Salary	662 258	3 460 148	352 679	246 275
Allowance	2 895 439	1 486 362	1 911 709	147 975
Medical Aid	502 711	292 668	381 270	24 165
Bonus	205 592	-	197 260	-
Heads of Departments	21 477 352	20 578 877	14 247 309	1 630 976
Salaries	2 816 951	13 273 668	1 540 117	956 041
Allowances	16 489 596	6 619 548	10 875 703	624 134
Medical Aid	1 133 576	685 661	836 291	50 801
Bonuses	1 037 229	-	995 198	-

## NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2020

### 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.

2020

Inflation adjusted

<u>Name</u>	<u>Loan Taken ZWL</u>	<u>Period in months</u>	<u>Interest per annum</u>	<u>Repayment per month ZWL</u>	<u>Loan balance 31 December 2020 ZWL</u>
T. W Chinamo	-	18 months	8.5%	-	-
N. Maferefa	-	18 months	8.5%	-	-
K. Msemburi	-	18 months	8.5%	-	-
C. Mutangadura	-	18 months	8.5%	-	-
G. Dzangare	-	18 months	8.5%	-	-
L. Madende	-	18 months	8.5%	-	-
B. Gava	-	18 months	8.5%	-	-
<b>Grand total</b>	-			-	-

2020

Historical

<u>Name</u>	<u>Loan Taken ZWL</u>	<u>Period in months</u>	<u>Interest per annum</u>	<u>Repayment per month ZWL</u>	<u>Loan balance 31 December 2020 ZWL</u>
T. W Chinamo	-	18 months	8.5%	-	-
N. Maferefa	-	18 months	8.5%	-	-
K. Msemburi	-	18 months	8.5%	-	-
C. Mutangadura	-	18 months	8.5%	-	-
G. Dzangare	-	18 months	8.5%	-	-
L. Madende	-	18 months	8.5%	-	-
B. Gava	-	18 months	8.5%	-	-
F. Mpofu	-	18 months	8.5%	-	-
<b>Grand total</b>	-			-	-



## NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2020

16. RELATED PARTY DISCLOSURES (Continued)  
**Key management disclosures 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	59 222	18 months	8.5%	1 247	14 951
N. Maferefa	564 307	18 months	8.5%	8 223	89 968
K. Msemburi	230 966	18 months	8.5%	4 858	63 174
C. Mutangadura	236 887	18 months	8.5%	4 984	59 809
G. Dzangare	521 149	18 months	8.5%	11 977	153 146
L. Madende	269 584	18 months	8.5%	5 670	68 068
B. Gava	55 391	18 months	8.5%	1 619	22 680
<b>Grand total</b>	<b>1 937 506</b>			<b>38 578</b>	<b>471 796</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>

		<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>
		<b>ZWL</b>	<b>ZWL</b>	<b>ZWL</b>	<b>ZWL</b>
		<b>Inflation</b>	<b>Inflation</b>	<b>Historical</b>	<b>Historical</b>
		<b>Adjusted</b>	<b>Adjusted</b>		
<b>16.5</b>	<b>Commissioner's costs</b>				
	Allowances and fees (Refer to note 7.1)	1 549 470	2 352 733	1 203 120	206 383

## NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2020

### 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:

	2020 ZWL Inflation Adjusted	2019 ZWL Inflation Adjusted	2020 ZWL Historical	2019 ZWL Historical
<b>Carrying amount</b>				
Trade and other receivables	4 132 769	5 216 501	4 132 769	1 162 888
Reserve Bank of Zimbabwe savings bonds	-	312 242	69 607	-
Short-term money market investments	2 513 843	4 442 254	2 513 843	990 287
Equity Investments and Unit trusts	11 286 431	2 257 737	11 286 431	503 306
Cash at bank	869 607	3 997 245	869 607	890 255
	<u>18 802 650</u>	<u>16 225 979</u>	<u>18 802 651</u>	<u>3 616 343</u>

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

## NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2020

### 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 2020</b>				
<b>Inflation adjusted</b>				
<b>Non-derivative financial liabilities</b>				
Payroll payables	929 887	929 887	929 887	-
Accruals	3 317 781	3 317 781	3 317 781	-
	<b>4 247 668</b>	<b>4 247 668</b>	<b>4 247 668</b>	-
<b>Historical</b>				
<b>31 December 2020</b>				
<b>Non-derivative financial liabilities</b>				
Payroll payables	929 887	929 887	929 887	-
Accruals	3 317 781	3 317 781	3 317 781	-
	<b>4 247 668</b>	<b>4 247 668</b>	<b>4 247 668</b>	-
<b>31 December 2019</b>				
<b>Inflation adjusted</b>				
<b>Non-derivative financial liabilities</b>				
Payroll payables	1 427 916	1 427 916	1 427 916	-
Accruals	1 681 234	1 681 234	1 681 234	-
	<b>3 109 150</b>	<b>3 109 150</b>	<b>3 109 150</b>	-
<b>Historical</b>				
<b>31 December 2019</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>	-

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 2020 and 31 December 2019.

## NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2020

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### 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 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.

	2020	2019
Interest rate on staff loans	8.5%	8.5%
Interest rate on RBZ savings bond	7%	7%
Interest rate on money market investments	15%	7%

### 19. CONTINGENT LIABILITY

The Commission had no contingent liabilities as at 31 December 2020 and 31 December 2019.

### 20. GOING CONCERN ASSESSMENT

In the year under review the Commission experienced an 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 2021 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 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, which ordered lockdowns for any period in which infections were spiking.

In view of this the Commission carried out an assessment of the impact of COVID-19 on these financial statements. Due to the online nature of trading on Zimbabwe's capital markets the Commission is not experiencing conditions often associated with a general economic downturn. 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. 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 on a rotational basis of coming to the office in order not to breach the statutory minimum numbers specified for government and quasi government organisations. Staff have 24 hours access to the Commission's server while coming to work on a rotational basis. 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 on a rotational basis. 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 2020

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

#### 21.1 COVID-19 (continued)

Fair value measurements as at 31 December 2020 are not materially affected by COVID-19. 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. 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. COVID-19 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 08 June 2021.


## 11. Annexure (a): 2020 SECZ Risk Assessment

Risk Category	Inherent Risk Level	Key Risk Indicators	Mitigation Measures
<b>Strategy Risk</b>  <i>These include the risks that affect or are created by an organization's business strategy and strategic objectives. It encompasses major threats to organization's ability to execute its strategic plan.</i>	<b>High</b> 	<ul style="list-style-type: none"> <li>The advent COVID-19 has affected the business on strategy execution and programs which were set to be completed during the national lockdown. The intermittent lockdowns slowed down SECZ and market activities such as onsite inspections, investor education and launch of new products.</li> </ul>	<ul style="list-style-type: none"> <li>Embarked on virtual investor education and awareness programmes riding on various on-line platforms, On-line submission of new licence applications, virtual communication with licensees and board meetings through Microsoft teams.</li> </ul>
		<ul style="list-style-type: none"> <li>The closure of the ZSE directly affected the existence and mandate of SECZ and affect the strategy and finances.</li> </ul>	<ul style="list-style-type: none"> <li>Continuous engagements of FIU and Ministry of Finance and Economic Development to open the markets.</li> </ul>
		<ul style="list-style-type: none"> <li>The slow domestic growth, deterioration of savings, high inflation, limited foreign currency access due to the COVID 19 and restricted business activities drive down the capital markets activity which directly impact the Commission's strategic objectives.</li> </ul>	<ul style="list-style-type: none"> <li>SECZ took advantage of the positive performance of the stock market pre and post trading halt through prudent and aggressive investment strategies of its free cashflows in value preserving assets</li> </ul>
		<ul style="list-style-type: none"> <li>The inability to procure new systems needed to enhance work process flows due to inadequate revenue from trading activities and local currency depreciation.</li> </ul>	<ul style="list-style-type: none"> <li>The increase in revenues in 2020 due to post and pre trading halt stock market performance could not match the capex demands for the SECZ. However, the improved cashflows allowed the Commission to acquire the much-needed SharePoint which shall immensely improve the document management processes among other things</li> </ul>
		<ul style="list-style-type: none"> <li>Issuers remain outside the regulation framework of SECZ despite submissions of the proposed amendments to the Ministry of Finance and Economic Development</li> </ul>	<ul style="list-style-type: none"> <li>Ongoing lobbying with various key stakeholders namely the Ministry of Finance, Attorney General Office, and market players.</li> </ul>
<b>Technology Risk</b>  <i>Risk refers to organisational risk which is caused by system failure, hacking, and unavailability of systems to perform required work processes</i>	<b>High</b> 	<ul style="list-style-type: none"> <li>Unavailability of automated system for processes to curb human resources inefficiencies.</li> </ul>	<ul style="list-style-type: none"> <li>ICT 5-year budget plan in place to procure essential or critical ICT equipment which shall include Regulatory Portal, Surveillance System.</li> </ul>
		<ul style="list-style-type: none"> <li>Attempted hacks/attacks on SECZ internal systems. While there are no successful hacks at the Commission, the Commission recorded 58 attacks during the period under review</li> </ul>	<ul style="list-style-type: none"> <li>Regular Cyber-risks training for staff is now in place. The Information Technology regularly maintains up-to-date firewalls and anti-virus to assist in addressing cyber threats. The ICT department publishes a bulletin on cyber security a quarterly basis and conduct online tests for staff.</li> </ul>
		<ul style="list-style-type: none"> <li>Unavailability of real time market surveillance systems presents inefficiencies on execution of regulatory oversight.</li> </ul>	<ul style="list-style-type: none"> <li>Currently the Commission devised a T+1 surveillance strategy where collection of data is done the following day after trading session.</li> </ul>
		<ul style="list-style-type: none"> <li>Absence of disaster recovery site for the Commission poses a threat in the event of major disruption on the current data centre.</li> </ul>	<ul style="list-style-type: none"> <li>There are ongoing negotiations for the disaster recovery site at Ministry of ICT and Insurance and Pension Commission (IPEC).</li> </ul>
		<ul style="list-style-type: none"> <li>Internet and server uptimes. Both internet and server were up 99% of the times during the period under review.</li> </ul>	<ul style="list-style-type: none"> <li>Additional lines for internet access required to improve service delivery due to increased online services. There is a fully serviced generator on standby to power the servers</li> </ul>

Risk Category	Inherent Risk Level	Key Risk Indicators	Mitigation Measures
<b>Operational Risk</b>	<b>High</b> 	<ul style="list-style-type: none"> <li>· The current activities which are on manual process include daily surveillance of trades, licensing, investigation, enforcement, collection, and analysis of market/licenses' data. This is prone to mistakes, manipulation, time consuming and delayed feedback and enforcement,</li> <li>· SECZ still to attain its desired Human Capital Establishment</li> <li>· COVID19 pandemic continue to threaten the organization's human capital in form of infections and work disruptions.</li> <li>· Increasing malfunctioning of tools of trade such as laptops. This results in manpower inefficiencies on delivery of affected staff targets and SECZ mandate.</li> <li>· SECZ's inability to attract and retain top talent and deteriorating staff morale poses a threat to SECZ delivery of its mandate. The Commission lost four (4) of its employees during the year 2020.</li> </ul>	<ul style="list-style-type: none"> <li>· There is need for online self-assessments, online license applications and approvals to improve turn-around times. To date plans are underway to purchase and build systems for the attainment of the above.</li> <li>· 5-year human capital plan is in place. This has been provided in the 5 years to 2025 SECZ Strategic document, wherein, it provides for annual recruitment and promotion of staff</li> <li>· Established a Health and Safety Committee mandated to deal with health and safety Issues beyond Covid-19 pandemic. SECZ has a remote working policy and currently, staff work on a rotational basis.</li> <li>· The replacement of the laptops and other tools of trade commence in 2021.</li> <li>· The Commission has managed to: <ul style="list-style-type: none"> <li>· Avail allowances to cushion staff against rising inflation. However, fuel allowance being paid in ZW\$ at the official bank rate is slowly being eroded due to the pricing of the fuel in USD and unavailability of fuel priced in ZW\$.</li> <li>· Need to adopt the quarterly review or inflation linked staff remuneration to match them with the rising inflation.</li> <li>· Avail growth paths for all junior employees and incentivize the personal development.</li> </ul> </li> </ul>
<b>Legal and Compliance Risk</b>	<b>Moderate</b> 	<ul style="list-style-type: none"> <li>· Compliance on provisions of the Public Entity and Corporate Governance Act which includes signing and implementation of Code of Ethics to the PEGG Act.</li> <li>· Pending legal complaints lodged against SECZ, include SECZ v Noel Hayes on Turnall Holdings and Econet complaint on disclosure of non-public information</li> <li>· Inconsistent policies and unclear directives, guidelines, and rules.</li> </ul>	<ul style="list-style-type: none"> <li>· Ensure all provisions of the Act are complied with. Company Secretary's Office maintains a Compliance check list which is tabled at all Board meetings.</li> <li>· Internal and External Counsel is in place. In addition, the Commission has a Legal and Legislation Committee mandated to oversee SECZ legal matters.</li> <li>· SECZ carries out stakeholders' consultative processes before issuance of directives, guidelines, and rules.</li> </ul>

*The focus areas include the risks that are posed internally through systems, processes and people which affect the delivery and execution of the Commission's targets and objectives*

Risk Category	Inherent Risk Level	Key Risk Indicators	Mitigation Measures
<b>AML/CFT Risk</b>	<b>Moderate</b> →	<ul style="list-style-type: none"> <li>compliance on provisions of the AML/CFT Act which includes supervising the capital markets as a Competent supervising authority on anti-money laundering.</li> <li>trading halt on allegations of money laundering through mobile money and parallel market activity.</li> </ul>	<ul style="list-style-type: none"> <li>SECZ carries out AML/CFT offsite and onsite supervision on all license categories and issuance of directives and guidelines to the market.</li> <li>The increased awareness of AML/CFT among market players and rigorous screening on licence applications reduces the crystallisation of AML/CFT risk.</li> <li>ensure all the information requested is filled with FIU through a dedicated team under Supervision.</li> </ul>
<b>Reputational Risk</b>	<b>Low</b> →	<ul style="list-style-type: none"> <li>Complaints raised by the investing public and stakeholders against the Commission Staff</li> <li>Negative social and press statements against the Commission.</li> <li>Complaints raised by the investing public and stakeholders against the Commission Staff</li> <li>Negative social and press statements against the Commission</li> </ul>	<ul style="list-style-type: none"> <li>Two cases were raised by Econet and Remo since inception. The Commission is developing a Complaints handling procedure and may consider reviving the Whistle blower facility.</li> <li>No negative statements have been published since inception. However, the Commission has a dedicated email where complaints can be channelled to.</li> <li>Two cases were raised by Econet and Remo since inception. The Commission is developing a Complaints handling procedure and may consider reviving the Whistle blower facility.</li> <li>No negative statements have been published since inception. However, the Commission has a dedicated email where complaints can be channelled to.</li> </ul>
<b>Market Risk</b>	<b>Moderate</b> →	<ul style="list-style-type: none"> <li>The depreciation of the local currency against USD depletes the Commission's resources to pay foreign currency denominated services such as licenses, capacity development programs and travel expenses.</li> <li>SECZ income is positively correlated with stock market activity but however lags the movement in the parallel market. The prices have been slightly stable in USD terms following the introduction of forex auction system.</li> <li>Investment assets particularly, staff pensions, fixed term deposits and bank balances are losing value due to hyperinflation.</li> </ul>	<ul style="list-style-type: none"> <li>An investments management policy is in place which gives direction on investments.</li> <li>SECZ is establishing stable income streams which are not directly linked to stock market activity. These shall include aggressive alternative investments product development, licensing, and optimal licence fees.</li> <li>Engagement with pension administrators to unlock value of the staff pension fund. SECZ embarked on a policy of investing its funds in equities and property investments, i.e., those that reprice with inflation and exchange rate.</li> </ul>

 Direction of risk outlook





### **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)