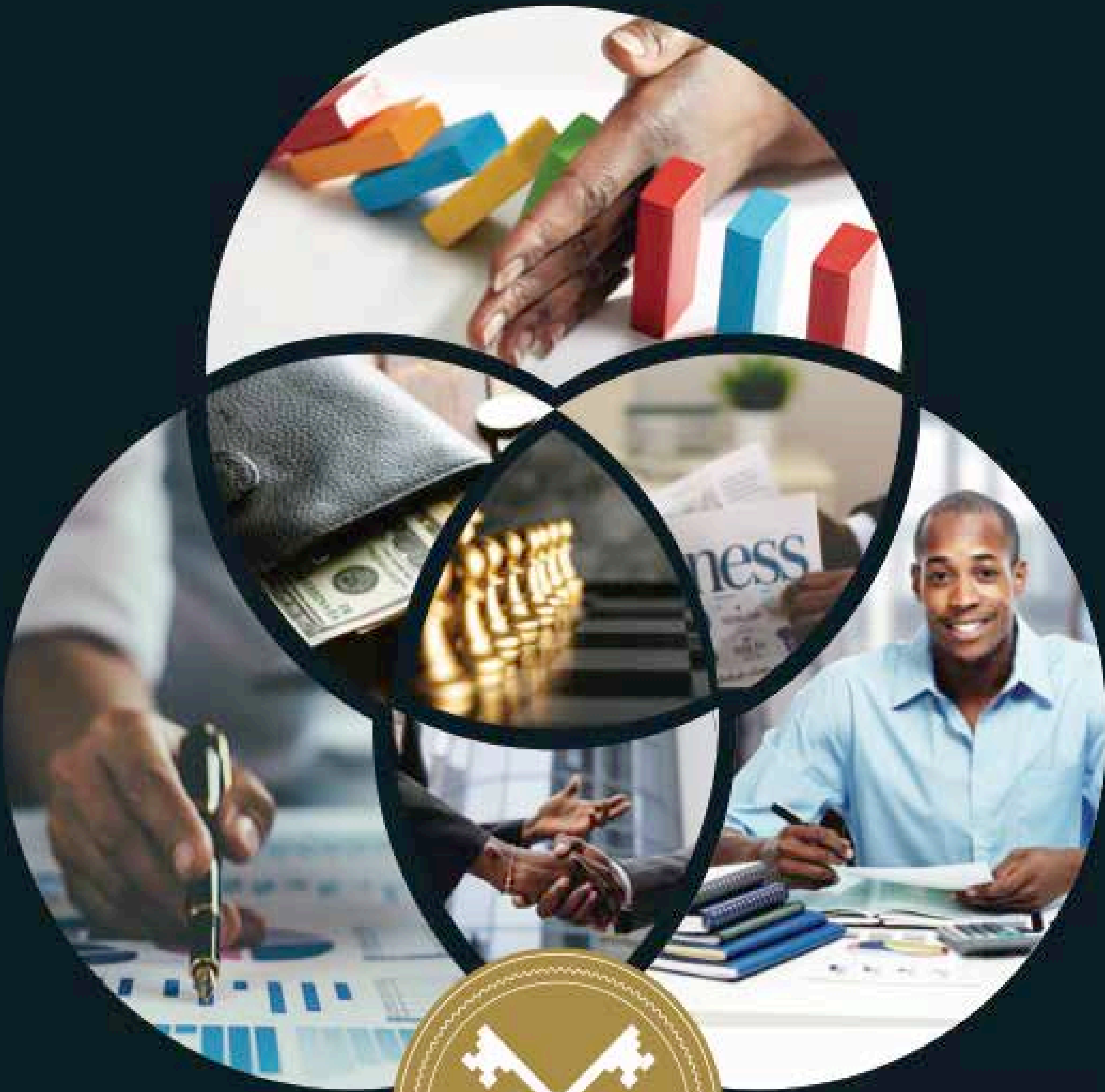

# ZIMBABWE ASSET MANAGEMENT CORPORATION
(PRIVATE)LIMITED

## ANNUAL REPORT
31 December 2020

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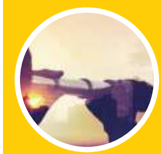



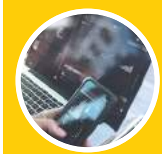


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ZIMBABWE ASSET MANAGEMENT CORPORATION (PVT) LIMITED

# VISION

To be an integral player in **value preservation** and **stabilization** of the **Zimbabwean economy.**

# MISSION

Committed to value preservation and enhancement in the Zimbabwean economy by:

* Assisting bank focus on their core mandate through freeing up key resources tied in Non-Performing Loans(NPL)
* Effectively resolving acquired NPLs
* Extracting maximun value from NPLs and or underlying assets
* Resuscitation of distressed companies

# VALUES

- Integrity
- Innovation
- Team-work
- Accountability
- Decisiveness
- Confidentiality


## CHAIRMAN'S STATEMENT

*I take great pleasure in presenting the results for the year ended 31 December 2020. The late presentation of accounts has been occasioned by the mismatch between the financial year ends of the Corporation (31 December) and our subsidiary StarAfrica (31 March) for financial reporting purposes. Human resource challenges with the Auditors also significantly delayed the conclusion of the 2020 audit.*

However, during 2020, ZAMCO made a decision to divest from Starafrica so I expect to present future results closer to ZAMCO's year end.

Without doubt, 2020 proved to be challenging year as Covid 19 continued to ravage both personal lives and economies worldwide. ZAMCO was not spared from the effects of Covid 19 and during the year under review we had some staff contracting the virus. Fortunately all the affected employees recovered and we are grateful that we had no fatalities.

I however regret to advise that during the course of the year, we lost Norman Mataruka, a former board member to Covid 19. May his departed soul continue to rest in peace.

Operations were affected and the Corporation had to implement measures to modify the working environment to minimize the risk of infection amongst staff. As a precaution all staff started working from home which they continue to do until it becomes necessary to fully reopen the office.

## OPERATIONS REVIEW

ZAMCO is fully established in its operations with its main thrust now being to maximise collections and recover the acquired non-performing loans. Public perception on the operations of ZAMCO seems to have improved however there will always be pockets of naysayers but we remain focused on our goal.

The Business Review section of this Annual Report gives more detail on the operations of the organisation, however a few highlights worth noting are:

- During the year ended 31 December 2020 the Corporation resolved loans with an acquired value of $337 million to bring the total resolved NPLs to $768 million.

- From an acquired loan book of $1.18 billion the outstanding loan book now stands at $417 million which means that 65% of the loans have been fully repaid.

- The 2020 audit was conducted by Ernst & Young Chartered Accountants. It is worth highlighting that as a major shareholder in StarAfrica Corporation, the Corporation's accounts are consolidated with StarAfrica. StarAfrica has issued its own accounts which are available within the public domain.

- Key highlights from the audit include:-

| | ZAMCO GROUP | ZAMCO |
|---|---|---|
| Operating Profit | Inflation adjusted<br>**$969 372 031** | Inflation adjusted<br>**$2 237 721 854** |
| | Historical<br>**$3 034 216 406** | Historical<br>**$2 661 139 592** |

- ZAMCO incurred operating expenses of $171m (historical $130m) during the year. ZAMCO continues to fund its own operational expenses from generated income.

## SIGNIFICANT EVENTS POST 31 DECEMBER 2020

ZAMCO disposed of its entire shareholding in Starafrica Corporation being 2 760 284 842 shares to Takura III (Private) Limited and Investors in Africa Takura Ventures (Private) Limited.

The proceeds from the sale will be used to enhance the value of assets held, the proceeds were also used to settle ZAMCO's TB Obligations to Government.

## ACKNOWLEDGEMENTS

In closing I would like to thank the Governor of the Reserve Bank and my fellow board members for their continued support and dedication to the Corporation, the Chief Executive Officer and his staff for their hard work.

Bart Mswaka
**Chairman**


## CHIEF EXECUTIVE OFFICER'S STATEMENT

*From an operations perspective, 2020 was an eventful year. Covid 19 continued to ravage the world, disrupting business operations. Debtors capitalised on runaway inflation and a floating parallel exchange rate to settle their loans prematurely.*

As at 31 December 2020, the average banking sector NPL ratio was 0.31%, which is well below the internationally accepted benchmark of 5%. As has been experienced by ZAMCO, most of the bank borrowers were able to repay loans due to inflation.

ZAMCO concluded the process of acquiring NPLs in 2019 thus there were no NPLs that were acquired during the year under review. The total value of acquired NPLs thus remained at $1.18 billion as at 31 December 2020.

## PERFORMANCE MEASUREMENT

At the beginning of the year, the Board set a three strategic objectives for ZAMCO:

- **Resolve NPLs totalling $142m**.
  The Corporation surpassed this target having resolved NPLs with an acquisition value of $337 million and a book value of $480 million in 2020.

  I am pleased to advise that as at 31 December 2020 ZAMCO has fully resolved NPLs valued at $767 million. With a recovery rate of 65%, ZAMCO has outperformed similar asset management companies at the same stage of operations. The highest recovering rate globally was that of Danarhata in Malaysia with a resolution rate of 58%.

- **Maximise recovery on resolved NPLs**
  Maximising value on resolved NPLs entails ZAMCO recovering at least the acquisition value plus holding and recovery costs. During the period under review, the Corporation achieved a recovery rate of 99% on the loans value against an internal benchmark of 70%.

- **Generate positive cash flows**
  Cash amounting to $391 million was generated during the year. The rate of collections during 2020 set record levels in terms of recoveries. From total money market investments and cash held by ZAMCO, we were able to meet all our TB coupons on time, fund development of stands and invest the surplus in equity and money market instruments.

## OTHER HIGHLIGHTS FROM THE YEAR 2020

**Property development**

- Completion of the servicing of 24 low density residential stands in Goodhope, Harare.

- Ongoing development of 193 low density residential stands in Sunninghill, Bulawayo.

- Ongoing development of 240 high density residential stands in Dulibadzimu, Beitbridge.

  These properties were acquired from debtors who opted to pay off their loans using properties and the Corporation has embarked on development and servicing of the above stands to enhance the value of the properties for the benefit of the shareholder and the public at large.

## ZAMCO sunset

At inception it was anticipated that ZAMCO would operate until 2025. However, due to our exceptional performance i.e accelerated collections and a reduced loan book, it became necessary to review ZAMCO's sunset period. As an instrument of the Reserve Bank of Zimbabwe we remain guided by the Shareholder on the way forward regarding ZAMCO's future.

## OUTLOOK

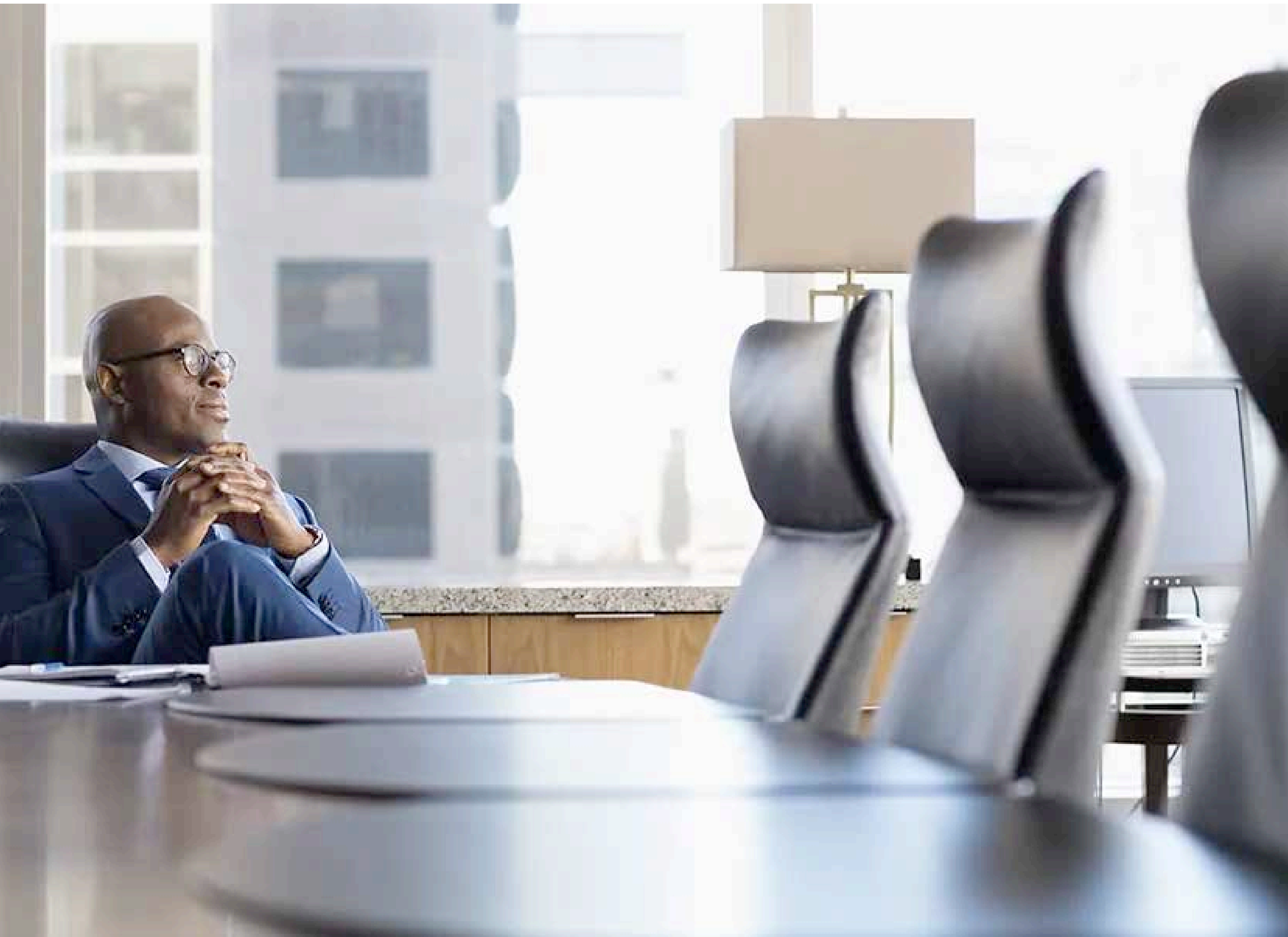
The Corporation's focus remains to collect all acquired non-performing loans during the remaining lifespan of ZAMCO.

We remain cautious of the ravaging effects of Covid 19 and continue to employ measures that will ensure that staff are adequately resourced and are able to work within this new normal.

## Appreciation

I would like to express my appreciation to the Governor of the Reserve Bank, the Chairman and his Board of directors and to the staff of ZAMCO for the excellent effort and commitment given in 2020.

**Dr Cosmas Kanhai**
Chief Executive Officer



# CORPORATE GOVERNANCE

*"The responsibility for the governance of the Corporation lies with the **Board of Directors** which is ultimately accountable to the **Shareholder.**"*

## GOVERNANCE STRUCTURE

The responsibility for the governance of the Corporation lies with the Board of Directors which is ultimately accountable to the Shareholder. The Board of Directors, retains full and effective control over ZAMCO and the procedures and business of the Board of Directors are regulated by a Board Charter. The Board has in turn delegated the day to day management of the Corporation to the Chief Executive Officer who executes the powers delegated to him without undue interference and in accordance with agreed guidelines.

The Board meets quarterly and additional meetings are convened as the need arises.

## COMPOSITION OF BOARD

As at 31 December 2020, the Board of directors was made up of nine members drawn from various sectors and is chaired by an Independent non-executive director.

Board composition is presented as follows:-

**Bartholomew Mswaka**
*Independent Non-Executive Director*
*Board Chairperson and Chairperson of Human Resources Committee*

# 2020 BOARD *of* DIRECTORS

**Vimbai Nyemba**
*Independent Non-Executive Director*

**Richard G. Muirimi**
*Independent Non-Executive Director Chairperson of Credit Investments & Debt Restructuring Committee*

**Dr Jesimen T. Chipika**
*Non-executive Director*

**Azvinandaa Saburi**
*Non-executive Director*

**Vusilizwe Vuma**
*Independent Non-Executive Director*

**Edwin M. Zvandasara**
*Non-Executive Director Chairperson of Audit, Risk & Oversight Committee*

**Demetri Psillos**
*Independent Non-Executive Director*

**Sijabuliso Thabani Biyam**
*Independent Non-Executive Director*

## BOARD COMMITTEES

In the discharge of its roles and responsibilities, the Board is assisted by three Standing Committees, the Credit Investments and Debt Restructuring Committee Audit, Risk and Oversight Committee and the Human Resources Committee.

These committees have their clearly defined terms of reference setting out their roles, responsibilities, and functions and reporting procedures to the Board.

### Credit, Investment & Debt Restructuring Committee...

The Committee is made up of the following members:

1. Mr. R.G. Muirimi **(Chairman)**
2. Mr. B. Mswaka
3. Mr. A. Saburi
4. Mr. S.T. Biyam
5. Mr. J. Psillos
6. Mrs V. Nyemba

The credit committee plays a critical role by advising the Board on credit policy and is the decision - making authority responsible for the approval and rejection of credit applications, restructuring proposals and investments decisions.

As ZAMCO is now in the third and final phase of resolution and recovery, the committee's main focus has been NPL resolution, business rescue proposals, investor liaison and investments proposal approvals.

### Audit Committee

The Committee is made up of the following members:

1. Mr. E.M. Zvandasara - **Chairperson**
2. Dr. J.T Chipika
3. Mr. S.T. Biyam
4. Mrs. V. Nyemba

The Committee is responsible for, amongst other things, ascertaining whether the accounting and reporting policies of ZAMCO are in accordance with the legal requirements and agreed ethical practices, reviewing the scope and planning of audit requirements, reviewing the findings on management matters as reported by the external auditors and departmental responses thereon, reviewing the effectiveness of ZAMCO's system of accounting and internal control, making recommendations to the Board in regards to the appointment, removal and remuneration of the external auditor and authorizing the internal auditor to carry out investigations into any activities of ZAMCO which may be of interest or concern to the Committee.

The Committee also reviews ZAMCO's annual and interim financial statements, including reviewing the effectiveness of ZAMCO's disclosure, controls and systems of internal control, the integrity of ZAMCO's financial reporting and the independence and objectivity of the external auditors. The committee also provides oversight on the management of risks, including fostering a sound internal control environment in the organisation.

### Human Resources Committee

1. Mr. B. Mswaka (Chairman)
2. Mr. A. Saburi
3. Mr. V. Vuma

The Committee is responsible for ensuring effective human resources policies and strategies, overseeing the Corporation's recruitment process, periodically reviewing salaries and incentives for staff in order to attract and retain the services of key employees, reviewing employment agreements and severance agreements and the competitiveness of the Corporation's remuneration policies.

The Committee also oversees the Corporation's plans for management succession and development, reviews and where significant, reports to the Board on best practices, trends, new technologies and current emerging public policy issues in HR matters.

## BOARD AND BOARD COMMITTEE ATTENDANCE REGISTER

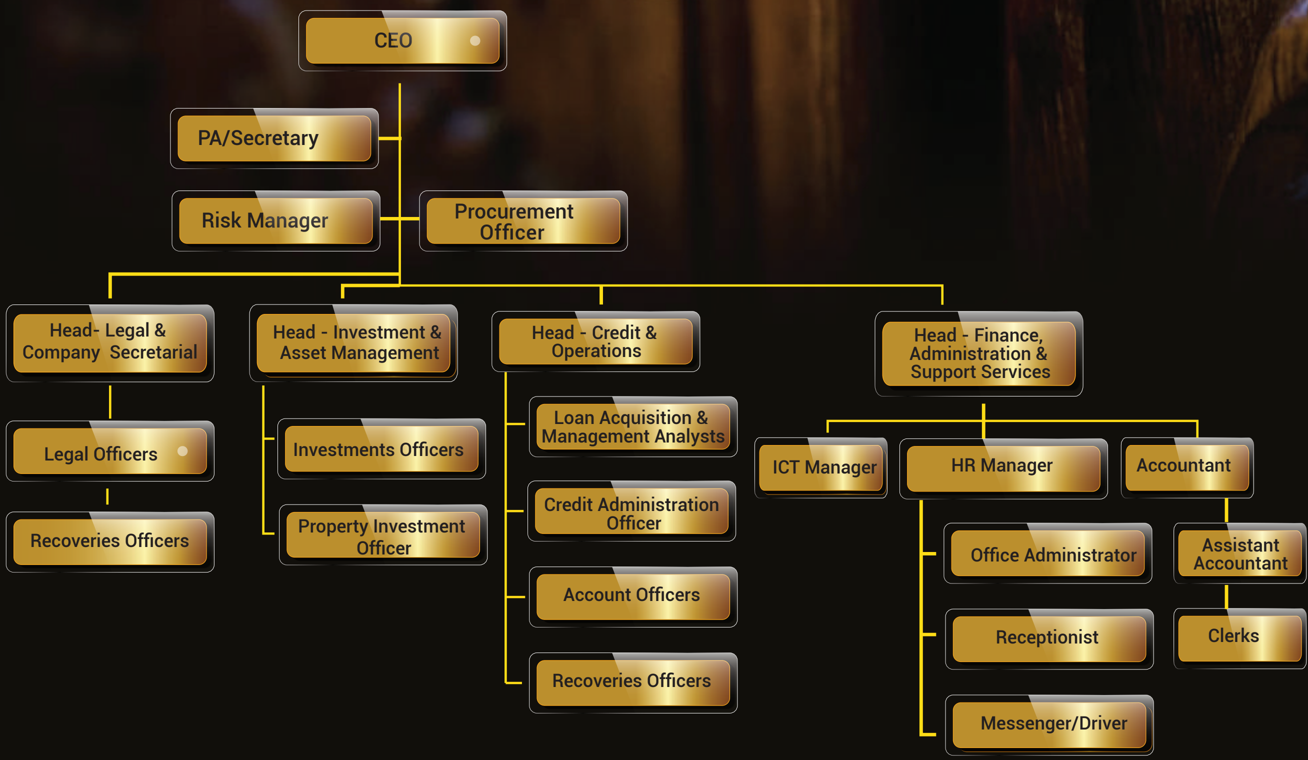
The Table below shows the frequency of meetings of the Board of Directors and Board Committees, as well as members' attendance for the financial year ended December 31, 2020.

| NAME | BOARD | CREDIT INVESTMENTS & DEBT RESTRUCTURING COMMITTEE | AUDIT, RISK & OVERSIGHT COMMITTEE | HUMAN RESOURCES COMMITTEE |
|---|---|---|---|---|
| **Meetings held** | **4** | **4** | **5** | **4** |
| B Mswaka | 4 | 3 | | 4 |
| Dr. J.T Chipika | 3 | | 3 | |
| A Saburi | 4 | 4 | | 4 |
| E Zvandasara | 3 | | 4 | |
| S T. Biyam | 4 | 3 | 5 | |
| D J. Psillos | 2 | 3 | | |
| R G. Muirimi | 4 | 4 | | |
| V Nyemba | 4 | 4 | 4 | |
| V Vuma | 4 | | | 2 |
| *N Mataruka | 1 | 1 | | 2 |

*Norman Mataruka resigned as a director during the course of the year after retiring from the Reserve Bank of Zimbabwe and sadly passed away in July 2020. May his departed soul continue to rest in peace.

# *Executive* MANAGEMENT

"From left to right– ;
**Ruth Chirambadare** (Head Credit & Operations), **Edson Shangu (**Head Investments & Asset Management); **Tatenda Muzariri** Head Finance & Admin**, Daisy Zinyemba**, Head Legal & Compliance, ; **Dr Cosmas Kanhai,** Chief Executive Officer;




## CURRENT ZAMCO STRUCTURE

The key departments in the Corporation are Credit & Operations, Investments & Asset Management, Legal and Secretariat, and Finance, Administration & Support Services and Risk Management. The organizational structure is indicated in the diagram below:

The major functions of the key departments are shown in the table b

| | |
|---|---|
| **Credit & Operations** | Conducting credit analysis and classifying the acquired loan portfolio into viable and non-viable loans.<br>Collecting and maintaining aggregate loan and underlying security valuations on a borrower by borrower basis.<br>Credit monitoring and administration for the loan book.<br>Devise and document loan strategies – including restructuring and enforcement of facilities.<br>Overseeing the development and execution of individual loan plans. |
| **Investment & Asset Management** | Managing ZAMCO's proprietary property portfolio.<br>Conducting appraisal of properties offered by clients for debt/asset swaps and valuation of properties held as security.<br>Managing the Corporation's land development projects.<br>Secure access to institutional investors, private investors and other prospective asset purchasers.<br>Conducting equity investment research, advising on shares to buy on the Zimbabwe Stock Exchange, and managing the equity portfolio.<br>Managing the company's money market investments. |
| **Legal & Secretariat** | Management of legal, tax, reputational and regulatory risk.<br>Management of the legal process for the acquisition of bank assets by ZAMCO to include oversight of the legal due diligence process and management of outsourced legal services.<br>Management of ZAMCO litigation.<br>Management of the procurement of key services and contractual relationships with key service providers.<br>Optimisation of the taxation treatment of ZAMCO activities.<br>Provision of advice on foreclosure processes and disposal of assets.<br>Management of ZAMCO legal documentation. |
| **Finance, Administration & Support Services** | Maintenance of General Ledger<br>Preparation of Management & Year-end Accounts<br>Payroll administration<br>Management of cash resources<br>Internal control systems development, implementation and monitoring<br>Procurement process management<br>Management of the audit process<br>Responsible for statutory compliance<br>Budget preparation, monitoring and control<br>Procurement<br>General office administration. |
| **Risk Management** | Identifying the major risks facing the corporation.<br>Devising appropriate methodologies to quantify the magnitude of the risks facing the company.<br>Putting in place various measures to mitigate and control the risks. |

# BUSINESS REVIEW

*"The year 2020 was **undoubtedly** the most **operationally challenging** since ZAMCO's incorporation on the back of **Covid-19** and the unexpected consequences on business prospects and activities in general."*

# 1. INTRODUCTION

### Outbreak of Covid -19 Disease

1.1 The year 2020 was undoubtedly the most operationally challenging since ZAMCO's incorporation on the back of Covid-19 and the unexpected consequences on business prospects and activities in general.

1.2 During the year under review, normal business came to a halt due to the advent of the coronavirus, declared by the World Health Organisation (WHO) as a worldwide pandemic in January 2020. Governments across the globe implemented various measures such as lockdowns and restrictions on travel and human interactions, enhanced hygiene standards and curtailing of most economic activities in order to curb the expected rampant spread of the disease. Sadly, millions of human lives were lost to the disease and the measures to restrict movements of people have been credited for reducing the death toll.

1.3 The Zimbabwe Government introduced two "hard" lockdowns during the year under review, where only essential services were allowed to conduct normal operations while the remaining economic sectors either shut down or operated on a limited scale mostly from home. These measures naturally had negative knock-on effects on the business environment, resulting in several job losses and/or cuts across industry.

1.4 To help ease the Covid-19 induced pressures, the Government of Zimbabwe announced a ZWL18 billion-stimulus package for industry on 1 May 2020 where companies could access funding to ease the cash flow constraints wrought by Covid-19. This intervention, though small given the requirements for industry, may have saved some companies from collapsing altogether thereby contributing to the future health of the economy.

### ZAMCO Covid-19 Interventions

1.5 Despite the advent of the COVID-19 pandemic, ZAMCO put measures in place to meet its strategy and shareholder expectations. The Corporation managed to roll out work from home procedures (WFH) where employee office presence was prohibited during the 'hard' lock down periods. At other times, there was restricted access to the office, with office facilities decongested in line with lockdown and social distancing requirements.

1.6 Furthermore, it was able to provide medical solutions for staff members that tested COVID positive with some requiring home based care while others required hospitalization.

1.7 This entailed setting up arrangements with competent medical practitioners to provide medical solutions in both circumstances. The Corporation unfortunately lost one former board member to the Covid-19 virus, while all staff members that tested positive managed to recover.

1.8 The year 2020 saw the Corporation achieving record collections from the largest borrowers in its books, in line with the 80/20 rule. These collections ensured that the ZAMCO was well poised to achieve the collection targets before the expiry of the set sunset period of 2024.

1.9 Whilst the mainstay sector of agriculture ultimately remained less affected by the impact of the COVID-19 pandemic, the early close to the rainy season did cause some damage to the sector's summer season culminating into a relatively poor 2020 outturn. That notwithstanding, mitigatory factors, including frequent communication strategies and, crop stop order facilities with marketing houses boosted the Corporation's collections from its farming clients.

### Exchange Rate Developments

1.10 In June 2020, Government introduced a forex auction system that replaced the previous pegged exchange rate regime. This welcome development resulted in price and exchange rate stability, coupled by a significant reduction in the difference between the official exchange rate and that prevailing in alternative markets.

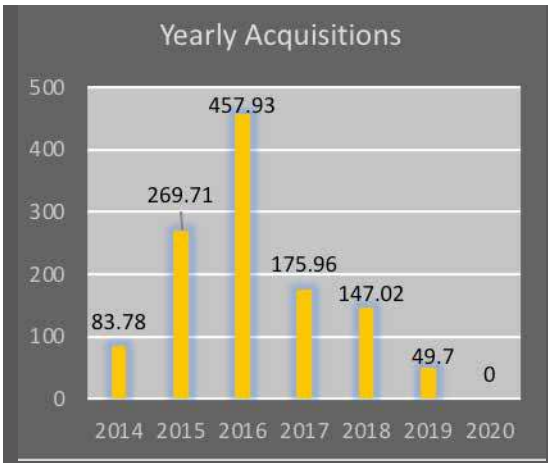
1.11 The USD/ZWL exchange rate stabilized around US$1:ZWL83 from June to December 2020. The introduction of the auction exchange rate system not only facilitated price discovery of the market exchange rate, but also greatly assisted in creating transparency in the management of foreign exchange

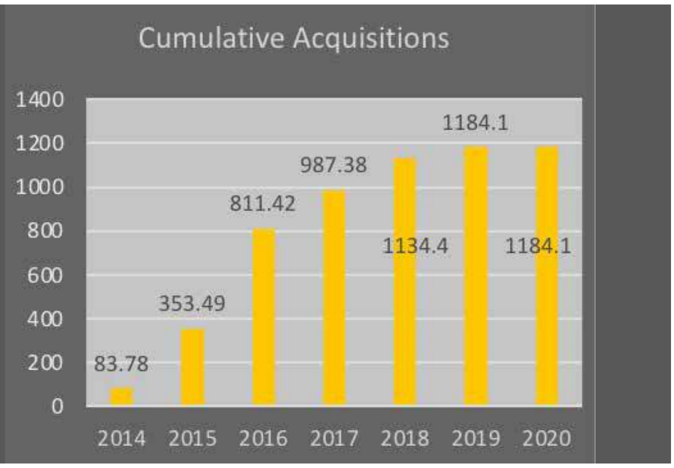
1.12 In the premise, access to foreign currency by companies improved during the year under review, resulting in an increase in capacity utilisation across the productive sectors of the economy.

## 2. NPL PORTFOLIO

### Acquired NPLs

2.1. Since its establishment six years ago ZAMCO has acquired a stock of non-performing loans amounting to $1.18 billion. Acquisition of NPLs stopped in 2019. The diagram below shows the Corporation's NPL acquisitions over the years:




2.2. With most of the legacy NPLs having been acquired by ZAMCO over the past 6 years, there has now remained very low levels of non-performing loans in the banking sector. During the year under review, the level of NPLs in the banking sector improved from an NPL ratio of 1.75% as at 31 December 2019 to 0.31% as at December 2020. The NPL ratio was well below the international banking sector health benchmark of 5%. ZAMCO has thus achieved its primary mandate for which it was formed which was to reduce the level of NPLs in Zimbabwe's banking sector to below 5%.

2.3. Banking institutions maintained a cautious approach to lending during the period, as reflected by a loan to deposits ratio of 39.5% as at 31 December 2020. This position is expected to tame the growth of NPLs going forward.

2.4. The growing trend of a fall in the NPLs ratio is a good sign for banking sector stability and further justifies the intervention of ZAMCO in the market in terms of its vision to be an integral player in value preservation and stabilization of the Zimbabwean economy.

## 3. FUNDING FOR NPLs AND LIABILITY MANAGEMENT

3.1. The bulk of the NPL acquisitions received funding by issuing Treasury Bills (TBs) to the selling banks as purchase consideration. The table below shows the funding mix of the acquisitions:

| Funding Source | Amount ($' Million) | Percentage |
|---|---|---|
| TBs | 1,138.60 | 96% |
| Private Funding | 45.5 | 4% |
| **Total** | **1,184.10** | **100%** |

3.2. The main source of funding in the NPL acquisition process was TBs, accounting for 96% of acquisitions and the remaining 4% through private funding. The TBs used largely had long dated tenors, with ranges from 12 to 20 years.

3.3. In light of this funding structure, ZAMCO's major obligations comprise of:

a) **Meeting coupon obligations –** the funding structure where coupon carrying TBs were used creates periodic coupon obligations on the part of ZAMCO.

b) **Redeeming TBs –** setting aside funds to redeem TBs upon maturity.

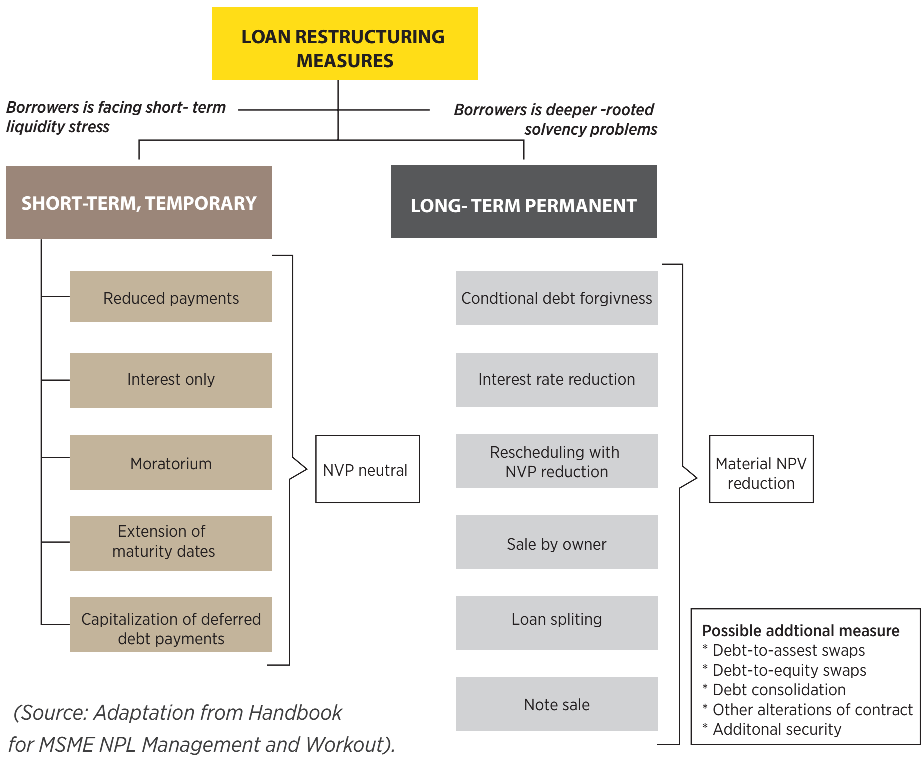
3.4. The Corporation continued to generate sufficient cash flows to meet the coupon obligations that fell due in 2020. The total coupon obligations for the year 2020 amounted to $56.3 million and ZAMCO paid the amount in full.

3.5. In addition, some repayments made over and above the TB coupon obligations immediately went to the TB redemption sinking fund. This fund continues to grow over the resolution period as more debtors repaid their loans. ZAMCO has not relied on the Central Bank for its coupon payments and is thus in compliance with the IMF Staff Monitored Program.

3.6. The TB redemption fund is not necessarily being held all as cash. Some funds were allocated to other assets that have an ability to preserve value thereby cushioning against inflation. These assets include equity instruments and real estate properties.

## 4. RESOLUTION AND RECOVERY OF NON-PERFORMING LOANS

4.1. After achieving the primary mandate of acquiring NPLs thereby reducing the level of bad debts in the banking sector, the secondary mandate of ZAMCO is to maximize the recovery on those acquired NPLs. The loan collection and resolution methodologies of AMCs such as ZAMCO are depicted in the diagram below:




*(Source: Adaptation from Handbook for MSME NPL Management and Workout).*

4.2. The Corporation started the resolution phase in Aril 2017 and ZAMCO has utilized most of the methods highlighted above in the four-year period since then.

4.3. The collection and resolution of NPLs will result in either of the following two situations:

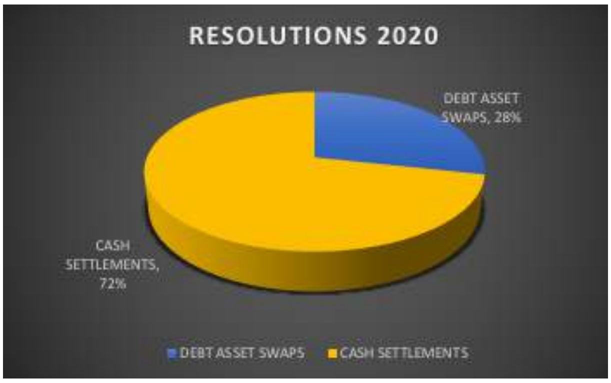
a) **Fully resolved NPLs** - Resolved NPLs are acquired loans where the borrowers have fully repaid the loans through cash or non-cash payments such that the loan obligation no longer exists in ZAMCO's books; and

b) **Partial loan repayment** – this occurs when periodic payments are made by borrowers without repaying the debt in full. These loans are work-in-progress towards fully resolved status.

**Fully Resolved NPLs...**

4.4. Since its inception, ZAMCO had fully resolved NPLs valued at $767 million as at 31 December 2020, up from $430 million resolved in the previous year. This means that the Corporation resolved a total of $337 million during the year under review. The total resolved NPLs represented 65% of the acquired amount. This was commendable progress if we consider that generally 2020 had major setbacks for the economy in part due to the Covid-19 pandemic.

4.5. The resolution methods for the resolved NPLs during the year under review were as follows:




4.6. Most of the loans during the year were repaid through debt/asset swaps where borrowers paid their loans through transfer of real estate properties to ZAMCO.

4.7. At the formation of ZAMCO, the board set an internal target of 70% for fully resolved NPLs by the sunset period i.e. the year 2025. With five years still remaining to the sunset period, ZAMCO's resolution rate of 65% was very close to the set target and likely to be surpassed during the coming year.

## 5. OUTSTANDING LOAN BOOK

5.1. After taking into account the resolved NPLs, the outstanding loan book as at 31 December 2020 was as follows:

| | 31-Dec-20 |
|---|---|
| **Total NPLs Acquired** | 1,184,153,968.63 |
| **Total Resolved NPLs** | 767,672,194.65 |
| **Outstanding NPLs** | **416,481,773.98** |

5.2. The outstanding loan book of ZAMCO amounting to $416.48 million in terms of acquired amounts was categorised as shown in the table below.

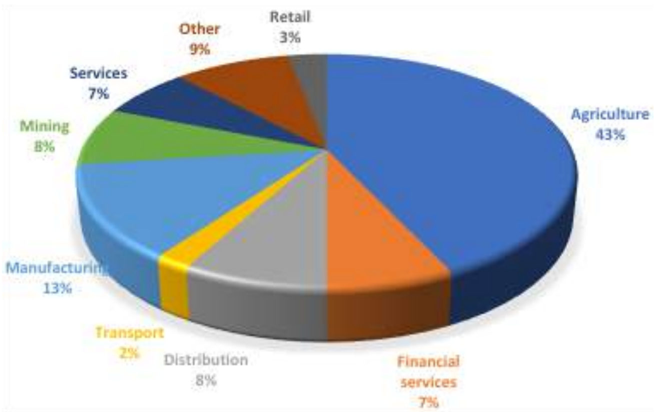
| | |
|---|---|
| Rehabilitated Loans | 48,146,220.57 |
| Loan Work-outs | 368,335,553.41 |
| **Outstanding NPLs** | **416,481,773.98** |

5.3. Rehabilitated NPLs are those that ZAMCO restructured as plain loans. These loans have had a sustained performance for a continuous period of six months and their methods of management is now relationship management as opposed to problem loan resolution. This category of loans has repayment periods ranging from four to eight years.

5.4. The loan workout category constitutes NPLs where ZAMCO is implementing various resolution strategies other than the normal loan restructuring. These strategies include debt to asset swaps, property developments, private treaty sales etc. The accounts do not have periodic repayments like rehabilitated loans but payments will come at the conclusion of the respective loan workout arrangement.

### Distribution of Outstanding Loan Book

5.5. As at 31 December 2020, ZAMCO's total loan book was distributed as follows:




5.6. The portfolio remains highly concentrated towards the agricultural sector, which accounted for 43% of the acquired NPLs as at 31 December 2020, followed by manufacturing at 13% of total. The distribution and financial services sectors accounted for 8% and 7% of total acquired exposures, respectively.

## 6. ENHANCING VALUE OF COLLECTIONS

6.1. Funds collected are utilised to meet operational expenses as well as meeting Treasury Bills coupon obligations. In addition, funds are being set aside to meet the cost of redeeming the TBs. The company invests some of the funds on the money market.

### Equity Portfolio

6.2. Apart from money market investments, the company also held assets on the equity market i.e. shares of companies that are listed on the Zimbabwe Stock Exchange (ZSE) in order to preserve value in light of the high level of inflation. The market value of this equity portfolio was $832 million as at 31 December 2020.

### Land Development Projects

6.3. ZAMCO owns a number of properties that were obtained when borrowers made loan repayments using properties instead of cash payments. These properties are in various forms such undeveloped land (land banks), stands, agricultural plots, commercial and industrial properties.

6.4. To enhance the value of land banks held, ZAMCO's strategy is to develop the land into stands that will be sold on the market. To date, ZAMCO has embarked on development of three land banks.

6.5. During the year under review, ZAMCO completed the servicing of 24 low density residential stands in Goodhope, Harare. As at 31 December 2020, these stands were being held for disposal.

6.6. The Corporation began development of 193 low density residential stands in Sunninghill, Bulawayo. After conducting the Procurement Regulatory Authority (PRAZ) processes, the tender for construction works was awarded to Exodus and Company who began the civil works on the project. By the end of the year work had been done up to 56% and delivery of the project was expected by June 2021.

6.7. During the year under review, ZAMCO also undertook the development of 240 high density residential stands in Dulibadzimu, Beitbridge. The tender was awarded to Forit Construction who had done 16% of the project by the end of the year. Completion of this project was also expected by June 2021.

6.8. Once these developments are completed, ZAMCO will undertake additional projects of a similar nature in the coming years. These projects will contribute significantly towards housing delivery in the country.

# RISK MANAGEMENT

## Overview

1. The major risks facing the Corporation are listed below:

   a) Credit risk;
   b) Operational risk (including Information Technology risk);
   c) Liquidity risk;
   d) Market risk (encompassing interest rate, real estate and equity risks);
   e) Legal and Compliance risk; and
   f) Reputational risk.

### Credit Risk

2. Credit risk is the risk that borrowers will fail to repay their acquired loans to ZAMCO. Following the directive issued in 2019 by The Ministry of Finance directing ZAMCO to stop further acquisitions of Non-performing Loans, the general credit risk strategies have now been focused on sound strong loan collection and recovery of the existing portfolio as ZAMCO.

3. Some of the techniques that are being utilized in measuring and managing credit risk are highlighted in the table below:

| NATURE OF RISK | MEASUREMENT | MANAGEMENT TOOLS |
|---|---|---|
| Failure to meet interest and capital repayment obligations on restructured loan facilities in accordance with the terms of the facility agreement.<br><br>Failure to meet dividend and face value payments on equity instruments.<br><br>Failure to recover full value of loans upon winding of ZAMCO operations. | - Classification of loans into viable and non-viable categories.<br>- Level of arrears in the loan portfolio.<br>- Recovery rate on total acquired NPL portfolio<br>- Sectoral concentration of portfolio.<br>- Concentration of portfolio to few counterparties | - Pre-acquisition credit assessment.<br>- Focus on acquiring loans secured by mortgage bonds.<br>- Reducing interest rates and extending tenor of loans.<br>- The corporation's focus on acquiring and restructuring loans for obligors with viability prospects will enhance the quality of the loan book.<br>- Implementing appropriate NPL resolution strategies.<br>- Instituting measures to influence turnaround of companies such as requiring board seats and management re-organization.<br>- Engaging corporate turnaround experts to advise on corporate restructuring.<br>- On-going monitoring of performance of the companies.<br>- Monthly management Risk Review reports and quarterly reporting to the Board. |

# Operational Risk

4. Operational risk inherent in all ZAMCO activities arises from failed or inadequate internal processes, people and systems or from external events that cause harm to the organization.

5. ZAMCO tracks and reports internal loss events that may occur as a result of a new risk to the organisation, leading to a loss event; or as a result of a lack of control or control failure surrounding an already identified risk. All units report to Risk Department on a monthly basis any internal events that would have occurred which in turn assist ZAMCO to measure risk exposure more accurately, justify the cost of new or improved controls, compare the effectiveness of controls, and identify trends and lessons to be learned over time. In addition, the risk department conducts periodic risk assessments on all the departments in order to identify the top risks and ways to minimise their impact.

6. Key to the management of operational risks is maintenance of robust internal controls. ZAMCO's internal control system is based on a clear definition of responsibility and delegation of authority to a number of Board Committees, segregation of duties, physical controls and personnel controls. The roles and responsibilities for these committees are defined in their terms of references. The terms of reference are periodically reviewed to reflect the relevancy and practice.

7. There are requisite policies and procedures for all the business and support activities. There is also an ongoing review to update the existing policies and procedures to reflect current practices.

| ACTIVITY | CONTROLS |
|---|---|
| Operations | The Corporation has approved policies and procedures for all aspects of its operations. These include policies in the areas of loan acquisition, post-loan acquisition assessments, loan resolution strategies, disposal of NPLs to investors and investment of fund.<br>Staff has clearly outlined duties and responsibilities. There is adequate segregation of duties to ensure that incompatible responsibilities are not assigned to one individual. Controls over the movement of funds are robust to prevent fraud risk. There is regular reporting and review of business activities by senior management<br>The Corporation uses Key Risk Indicators (KRIs) and self-risk assessment to measure and manage operational risks. |
| Performance of Service Providers | A system to pre-qualify service providers onto ZAMCO's panel and monitoring their performance and quality of service is in place. |
| Information and Communication technology. | The Corporation has robust management information systems to ensure easy transaction processing and safeguard data integrity.<br>The Corporation has an acceptable Business Continuity Plan (BCP) incorporating a disaster recovery site. |
| Finance and Accounting | A comprehensive budgeting process with an annual plan approved by the Board. The business results are reported monthly and compared to the plan. Forecasts are prepared annually and reviewed regularly throughout the year. The Corporation announces its business results through its published Annual Report. |
| Assurance | Through the Audit Risk and Oversight Committee, the Board has oversight role in ensuring a sound internal control environment control system and regular review on its adequacy and integrity is Internal auditors and external auditors conduct independent appraisals on ZAMCO's business operations and support activities and financial records and statements respectively to provide an opinion on the adequacy and integrity of ZAMCO's overall internal control framework. |
| Performance Measurement | The organization sets annual objectives. Divisions also set their divisional objectives, which are aligned, to the Corporation's objectives. Where appropriate, individuals are allowed to set their objectives, which are aligned, to the divisional objectives. Work activities are supervised and the performance is monitored and evaluated i.e. actual results against the agreed targets/objectives. |
| Employee Conduct | Employees conduct their work activities in accordance with clearly defined approved policies and procedures that meet international standards as defined in the various policy and procedures manuals. This includes the Code of Ethics policy document that sets high ethical business standards and practices for business conduct and the code of behaviour for employees to adhere to. |

8. The advent of Covid-19 heightened the people risks and as a result, some staff members were required to work from home as per government directives in a bid to curtail the spread of the disease. As such, ZAMCO's business work is now carried out over home Internet Service Providers (ISPs) with unmanaged routers. The environment exposes ZAMCO to cybersecurity risks that may result in loss of critical assets and sensitive information, or reputational harm due to breach within an organization's network. Below are the risks and mitigatory measures.

| Threat (type & cause) | Risk (H,M,L) | Impact (H,M,L) | Impacts (potential) | Preventative Measures |
|---|---|---|---|---|
| Cyber Security attacks<br><br>Potential cause:<br><br>Hackers<br>Virus attacks<br>Sabotage<br>Espionage | M | M | Computer data lost or corrupted.<br>Clients' information publicised<br>Systems rendered inoperable<br>Business may be unable to continue | Existing Measures:<br><br>Firewall in place and monitored<br>Antivirus installed and continuously updated<br>Employees aware of Confidentiality requirements<br>VPN (Virtual Private Network) for connecting to system applications<br>TeamViewer for remote support |

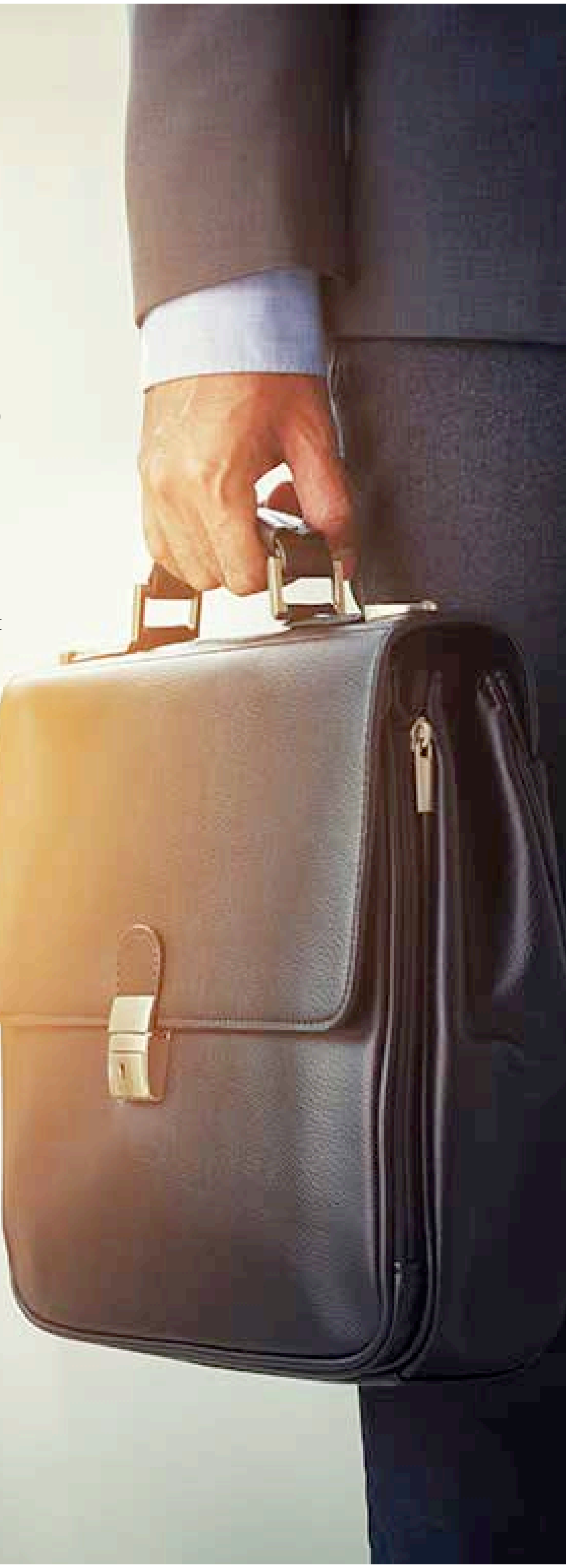

## Legal and Compliance Risk:

9. Compliance risk is the risk of legal or regulatory sanctions, material financial loss or damage to reputation that an institution may suffer as a result of failure to comply with laws, regulations, rules, self-regulatory organization standards and codes of conduct applicable to its activities.

10. Compliance laws, rules and standards have various sources, including primary legislation, rules and standards issued by legislators and supervisors, market conventions, codes of practice promoted by industry associations, and internal codes of conduct applicable to staff members. Compliance risk goes beyond what is legally binding and embrace broader standards of integrity and ethical conduct.

11. Some of the legal and compliance risk issues, measurement and management methodologies are highlighted below:

| Legal & Compliance Risk Issues | Analysis | Measurement/Mitigation |
|---|---|---|
| Defective and/or inadequate documentation for transactions entered into by ZAMCO | To date no issues have arisen. | – Continuous review and updating of contracts executed by the Corporation.<br>– The internal legal team reviews and renders advice on transactions to which the Corporation is a party and where necessary a second opinion is obtained from external counsel. |
| Regulatory and statutory compliance | There were no changes to any legislation, which would impact ZAMCO. | – Continuous monitoring of local laws, regulations and standards to note any changes that affect the Corporation.<br>- Proactively identifying new and changed relevant local laws, regulations and standards.<br>- Compliance with best practice requirements.<br>– Regular reporting to stakeholders, particularly RBZ and Ministry of Finance. |
| Compliance with own policies and procedures | The Corporation has comprehensive policies and procedures in place that are adhered to. | – The board and senior management monitors compliance on an on-going basis.<br>– Independent assurance from audit. |



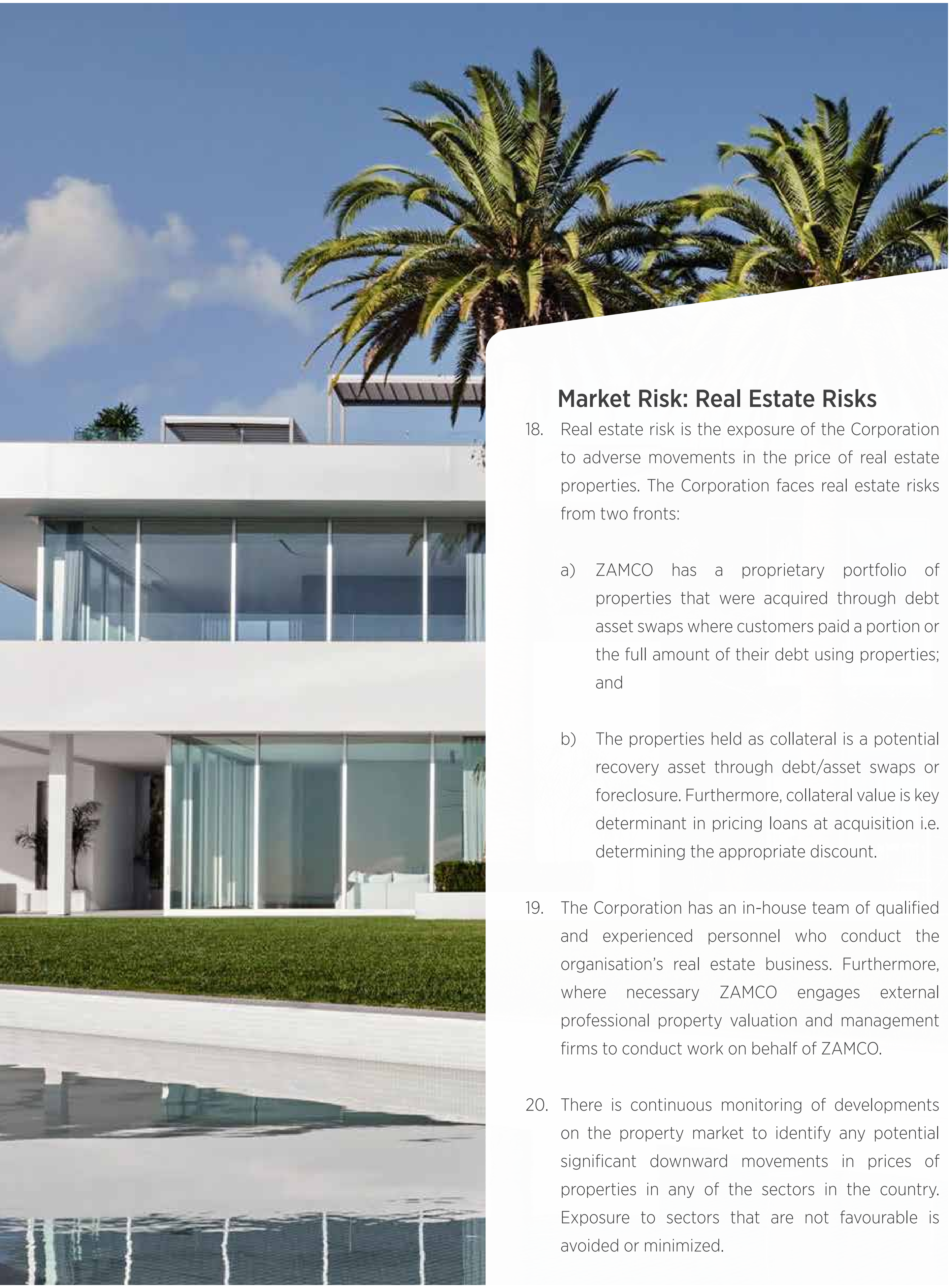
## Liquidity Risk

14. Liquidity risk arises from the failure to meet liabilities (contractual or pseudo liabilities) when they fall due. ZAMCO has an obligation to meet periodic coupons on Treasury Bills (TBs) used to acquire NPLs as well as redemption of the TBs upon maturity and this forms the major source of liquidity risk for the Corporation.

15. Liquidity risk for the Corporation results primarily from credit risk in that if borrowers do not repay their loans, ZAMCO will not have sufficient resources to meet its obligations on Treasury Bills. Therefore, the concerted efforts that the Corporation is putting towards resolution and recovery will also assist in managing liquidity risk for the Corporation.

16. The repayments that are being made by borrowers are allocated to TB and Coupon Redemption Sinking Fund earmarked for the redemption of half-year coupon obligations and the TBs when they mature at the end of their tenors.

17. The identification, measurement and monitoring of Liquidity risk are done through maturity profiling of assets and liabilities and assessment of expected cash flows. The Risk Department produces liquidity Gap Analysis Reports on a monthly basis which is used by Senior Management to forecast any liquidity shortfall events so that appropriate actions are taken to remedy the situation.



## Market Risk: Real Estate Risks

18. Real estate risk is the exposure of the Corporation to adverse movements in the price of real estate properties. The Corporation faces real estate risks from two fronts:

    a) ZAMCO has a proprietary portfolio of properties that were acquired through debt asset swaps where customers paid a portion or the full amount of their debt using properties; and

    b) The properties held as collateral is a potential recovery asset through debt/asset swaps or foreclosure. Furthermore, collateral value is key determinant in pricing loans at acquisition i.e. determining the appropriate discount.

19. The Corporation has an in-house team of qualified and experienced personnel who conduct the organisation's real estate business. Furthermore, where necessary ZAMCO engages external professional property valuation and management firms to conduct work on behalf of ZAMCO.

20. There is continuous monitoring of developments on the property market to identify any potential significant downward movements in prices of properties in any of the sectors in the country. Exposure to sectors that are not favourable is avoided or minimized.

## Market Risk: Interest Rate Risk

21. Interest rate risk is the exposure of the institution's on and off-balance sheet positions to adverse movements in interest rates resulting in a loss to earnings and capital. The changes in interest rates affect the institution's earnings by altering interest- sensitive income and expenses. Interest rate changes also affect the underlying value of an institution's assets, liabilities, and off-balance sheet instruments through changes in the present value of future cash flows (and, in some cases, the cash flows themselves).

22. The Corporation's exposure to interest rate risk is minimal due to the following factors:

    a) The Corporation currently does not have a trading book; and
    b) The liabilities of the institution (mainly Treasury Bills) are not rate sensitive as they are issued at a constant rate of 5%;

23. Interest rate exposure will be limited to variations in the interest rates that the Corporation can obtain when investing its funds on the money market. In order to avoid making losses, repayments made should be invested at a rate exceeding 5% (cost of capital).

## Market Risk: Equity Risk

24. ZAMCO holds a portfolio of shares arising from borrowers whose debts were converted to either preference shares or ordinary shares. In addition, ZAMCO acquired a portfolio of listed shares as part of its investment strategy. The Corporation is thus exposed to movements in the price of the equity instruments.

25. Measurement of equity risk is conducted through regular valuation of the equity instruments using methodologies such as intrinsic valuation or mark-to-market valuation of instruments listed on the Zimbabwe Stock Exchange.

26. Management of equity risk is conducted through evaluation of the companies it gains equity exposures at the onset to ensure that there are viable exit routes to dispose the equity instruments. The Corporation also aims to implement various strategies aimed at improving equity value in investee companies such as appointing board members to oversee operations.

## Reputational Risk

27. Reputational risk at ZAMCO is the risk of possible damage to the Corporation's brand and reputation arising from any association, action or inaction that could be perceived by stakeholders to be inappropriate, unethical or inconsistent with the Corporation's values and beliefs.

28. The reputation of ZAMCO is founded on trust from its employees, clients, shareholders, regulators and from the public in general. Isolated events can undermine that trust and negatively affect ZAMCO's reputation and it is therefore of the utmost importance that it is protected, for which it is the responsibility of every employee of the Corporation.

29. Some of the measures that have been put in place to manage this risk are:

    a) Adherence to sound business practices;
    b) Strict adherence to principles of confidentiality;
    c) There is a communication & media policy where only the CEO can speak on behalf the Corporation with outsiders;
    d) ZAMCO timeously responds to all media enquiries;
    e) The CEO conducts regular interviews with media organisations.

# FINANCIAL REVIEW

## Introduction

The financial statements of the Group include the Consolidated Statements of Comprehensive Income, Financial Position, Changes in Shareholders Equity, Cash Flows and the accompanying notes. The following discussion should be read together with the accompanying audited financial statements of the Group for year ended 31 December 2020, which contain details of factors that influenced the recorded results.

The Board made a decision to dispose Star Africa Corporation (subsidiary) in the current year therefore the audited financial statements were prepared in accordance with IFRS 5: Non-current Assets Held for Sale and Discontinued Operations.

The current year results have been prepared applying IAS 29: Financial reporting in Hyper Inflationary Economies hence the presentation of both inflation adjusted and historical information.

### 1. Consolidated Statement of Comprehensive Income

The Group made an operating profit of ZWL1 billion (historical ZWL3 billion) for the period to 31 December 2020. The Group reported profit of ZWL10 billion (historical ZWL655 million) in the prior year.

The overall operating performance for the period is set out in the table below:

**Table 1:** Key elements of income and expense

| | ZWL000 | ZWL000 |
|---|---|---|
| | **Inflation Adjusted** | **Historical** |
| Income from Continuing Operations | 1,054,439 | 2,106,304 |
| Interest and Commission expense | (111,878) | (55,103) |
| Operating expenses | (170,541) | (129,632) |
| Impairment reversal | 92,284 | 92,284 |
| Net Monetary Gain | 974,628 | - |
| Profit/Loss from Discontinued Operations | (869,560) | 1,020,363 |
| **Total Comprehensive Profit** | **969,372** | **3,034,216** |

### 1.1 Income

The income recognised in 2020 is broken down as follows:

**Table 2:** Income Composition

| | ZWL000 | ZWL000 |
|---|---|---|
| | **Inflation Adjusted** | **Historical** |
| Interest and Commission Income | 220,760 | 136,285 |
| Investment Property Fair Value Gain | 679,015 | 1,897,729 |
| Other Income | 154,664 | 72,290 |
| | **1,054,439** | **2,106,304** |

The biggest contributors to the Group's income during the year were interest on loans and advances, fair value gains on investment property and equity investments.

The interest is calculated on a monthly/quarterly compounding basis with applicable rates ranging between 6 and 10% per annum

### 1.2 Loss from Discontinued Operations

The loss relates to the operating performance from the subsidiary being disposed. The loss arose largely from fair value measurement of the group to comply with the requirement of IFRS 5. However, the group recorded a profit of ZWL1 billion (historical).

### 1.3 Interest expense and commission expense

Inflation Adjusted Interest and commission expense for the year 2020 was ZWL112 million broken down as follows:

**Table 3:** Interest expense

| | ZWL000 | ZWL000 |
|---|---|---|
| | **Inflation Adjusted** | **Historical** |
| Interest on Government Treasury Bills | 107,528 | 52,750 |
| Interest on other facilities | 3,775 | 1,779 |
| Other interest charges | 575 | 574 |
| **Net interest and commission Expense** | **111,878** | **55,103** |

1.2 **Operating expenses**

The operating costs incurred by the Group in 2020 amounted to ZWL170 million (historical ZWL130 million). The operating expenses of the Group include administration expenses, employee benefits, and depreciation and negotiated settlement write-downs.

1.3 **Impairment of Financial Assets**

In year under review 2020 an analysis was undertaken according to IFRS 9, through financial models, of all the financial assets held at year end, the group recognised a reversal of impairment of ZWL92 million.There were no other assets which evidenced impairment and as such no provision was made in the books.

## 2. Cash Flow Statement

The Group generated net cash of ZWL1.5 billion (historical ZWL76 million), which mainly arose from operations. Transactions which affected the cash position mostly were loan repayments as well as the sale proceeds for sugar and related products.

## 3. Statement of Financial Position

| | ZWL000 | ZWL000 |
|---|---|---|
| | Inflation Adjusted | Historical |
| Assets | 6,050,911 | 5,433,306 |
| Equity | (4,038,026) | (3,480,951) |
| Liabilities | (2,012,885) | (1,952,355) |
| | | |

3.1 **Assets**

The group's assets are largely made up of loans and advances, inventory, investment property, assets held for sale associated with discontinued operations and equity investments.

3.1.1 **Loans and advances**

The assets are held in various industries covering resources, services and manufacturing. The loans and advances are assessed for impairment at each reporting date, providing a fair valuation for each individual asset. The valuation was arrived at after taking into account impairment factors observable for the individual and group of assets.

3.1.2 **Inventory**

The group's inventory represents the value of land development projects (raw materials, consumables and work in progress). The reported inventory value as at the reporting date was ZWL1.5billion (historical ZWL1billion)

3.1.3 **Investment Property**

The properties held by the group as at the reporting date were measured at fair value and reported to be ZWL1.7 billion for both restated and historical values.

3.2 **Liabilities**

The liabilities reported are mainly made up of Treasury Bills, Payables and liabilities held for sale associated with discontinued operations in the subsidiary reported in accordance with IFRS 5.

3.2.1 **Treasury Bills**

The treasury bills are government paper issued for the raising of financing. There were no new loan acquisitions during the current financial year. The Treasury Bills owed to the government as at the reporting date amounted to ZWL1 billion.

## 4. Impact of Covid 19

The group was not spared from the global pandemic declared by WHO in March 2020. The group put in measures to curb the effects of the pandemic and adopted the new ways of doing business to protect both the Entity and its employees. Management continuously assesses the impact of Covid 19 on the business and as at the reporting date the pandemic has had minimal or no significant impact on the entity's operational performance.

## 5. Going Concern

The management of the Group assessed the entity and its operations, as at year-end, for any issues that may affect its ability to continue as a going concern. The opinion of management is that the Group has the capacity to continue operating as a going concern. Further information on this issue is covered under Note 36 to the Group financial statements.

# AUDITED GROUP FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 20

## Contents

# DIRECTORS' REPORT
For the year ended 31 December 2020

*The Directors of Zimbabwe Asset Management Corporation (Private) Limited and its subsidiaries have pleasure in submitting their report for the financial year ended 31 December 2020.*

## 1. NATURE OF BUSINESS

1.1 Zimbabwe Asset Management Corporation Group ("the Group", "the ZAMCO Group") represents Zimbabwe Asset Management Corporation (Private) Limited, ("the company" or "parent") and all entities under its control, namely Starafrica Corporation and its subsidiaries. The Group is ultimately controlled by the Reserve Bank of Zimbabwe.

The Group is principally engaged in asset management, sugar refinery and marketing, production of sugar-related products as well as ownership and management of investment properties.

## 2. DIRECTORS' RESPONSIBILITY STATEMENT

The Directors are responsible for the preparation and integrity of inflation adjusted consolidated financial statements that present the state of affairs of the Group as at 31 December 2020. These include inflation adjusted statements of profit or loss and other comprehensive income, financial position, cash flows and changes in equity for the year then ended and information contained in this report.

In order to meet the above requirements, the Directors are responsible for maintaining adequate accounting records and internal controls to safeguard the assets of the Group, detect and correct material errors and misstatements as well as to prevent and detect fraudulent activities. The internal control systems were implemented and monitored by suitably trained personnel with appropriate segregation of authority and duties. Nothing has come to the attention of the Directors to indicate that any material breakdown in the functioning of these controls, procedures and systems has occurred during the year under review.

### Compliance with Local Legislation

These inflation adjusted consolidated financial statements comply with the Companies and other Business Entities Act (Chapter 24:31), and have been prepared to comply with the Statutory Instrument 33 of 2019, issued on 22 February 2019 and the guidance issued by the Public Accountants and Auditors Board (PAAB) on 21 March 2019. Statutory Instrument 33 of 2019 specified that for accounting and other purposes, all assets and liabilities that were immediately before the effective date valued in United States Dollars, shall on and after the effective date, ( 22 February 2019) be deemed to be valued in RTGS dollars at a rate of one-to-one to the United States Dollar.

Further, on 24 June 2019, Statutory Instrument 142 of 2019 introduced the Zimbabwean Dollar (ZWL) which is at par with the bond notes and RTGS dollars, that is to say each bond note unit and each RTGS dollar is equivalent to a Zimbabwe Dollar. The ZWL has been adopted as the Functional and Reporting currency of the Group as at 31 December 2020.

# DIRECTORS' REPORT
For the year ended 31 December 2020

## Compliance with IFRS

The inflation adjusted consolidated financial statements have been prepared to take account of the effects of inflation in accordance with IAS 29, Financial Reporting in Hyperinflationary Economies. These inflation adjusted consolidated financial statements are prepared in order to comply with International Financial Reporting Statements (IFRS), as issued by the International Accounting Standards Board (IASB). The historic cost consolidated financial statements are presented herein as supplementary information. ZAMCO's external auditors have not expressed an opinion on this historic financial information due to its non-compliance with IAS 29.

Pursuant to the recognition of the RTGS dollar as currency in Zimbabwe in February 2019 and as reported in these financial statements, the Group adopted the change in functional currency translation guidelines prescribed by Statutory Instrument (S.I.) 33 of 2019, which prescribed parity between the RTGS dollar and the US dollar for all balances. In our opinion and based on the guidance issued by the Public Accountants and Auditors Board (PAAB), the change in functional currency translation guidelines prescribed by S.I.33 of 2019 and adopted in preparing these financial statements, for the year ended 31 December 2019, to comply with statutory requirements created inconsistencies with International Accounting Standard (IAS) 21 (The effects of changes in foreign exchange rates) as well as with the principles in the IFRS Conceptual Framework. The effects of these inconsistencies have been carried over into the year ended 31 December 2020. This has resulted in the accounting treatment adopted in the 2020 Financial Statements being different from that which the Directors would have adopted if the entity had been able to fully comply with IFRSs.

The audited inflation adjusted consolidated financial statements are presented in Zimbabwean Dollars (ZWL). These were audited by our independent auditors, Ernst & Young, who were given unrestricted access to all the accounting records and supporting documentation.

# DIRECTORS' REPORT
For the year ended 31 December 2020

## 3. COMPOSITION OF BOARDS OF DIRECTORS AND COMMITTEES

The following is the composition of the ZAMCO Board of Directors, as well as the various board committees. The Board is made up of non-executive directors only.

### MAIN BOARD

| SN | NAME | DESIGNATION | STATUS |
|---|---|---|---|
| 1 | Mr. B. Mswaka | Board Chairperson | Independent Non-Executive Director |
| 2 | Dr. J. T. Chipika | Board Member | Non-Executive Director |
| 3 | Mr. A. Saburi | Board Member | Non-Executive Director |
| 4 | Mr. N. Mataruka* | Board Member | Non-Executive Director |
| 5 | Mr.E.M. Zvandasara | Board Member | Non-Executive Director |
| 6 | Mrs. V. Nyemba | Board Member | Independent Non-Executive Director |
| 7 | Mr. D. Psillos | Board Member | Independent Non-Executive Director |
| 8 | Mr. S.T. Biyam | Board Member | Independent Non-Executive Director |
| 9 | Mr. R.G. Muirimi | Board Member | Independent Non-Executive Director |
| 10 | Mr. V. Vuma | Board Member | Independent Non-Executive Director |

* Mr. N. Mataruka retired from the ZAMCO Board in March 2020, but unfortunately passed on in July 2020

### CREDIT AND DEBT RESTRUCTURING COMMITTEE

| SN | NAME | DESIGNATION |
|---|---|---|
| **1** | Mr. R.G. Muirimi | Committee Chairperson |
| **2** | Mr. A. Saburi | Committee Member |
| **3** | Mr. N. Mataruka | Committee Member |
| **4** | Mr. B. Mswaka | Committee Member |
| **5** | Mrs. V. Nyemba | Committee Member |
| **6** | Mr. D. Psillos | Committee Member |
| **7** | Mr. S.T. Biyam | Committee Member |
| **8** | Mr. V. Vuma | Committee Member |

# DIRECTORS' REPORT
For the year ended 31 December 2020

## HUMAN RESOURCES COMMITTEE

| SN | NAME | DESIGNATION |
|---|---|---|
| 1 | Mr. B. Mswaka | Committee Chairperson |
| 2 | Mr. A. Saburi | Committee Member |
| 3 | Mr. N. Mataruka | Committee Member |
| 4 | Mr. V. Vuma | Committee Member |

## AUDIT COMMITTEE

| SN | NAME | DESIGNATION |
|---|---|---|
| 1 | Mr. E.M. Zvandasara | Committee Chairperson |
| 2 | Dr. J. T. Chipika | Committee Member |
| 3 | Mrs. V. Nyemba | Committee Member |
| 4 | Mr. S.T. Biyam | Committee Member |

The following is the composition of the StarAfrica Corporation Limited Board of Directors. The Board is made up of executive and non-executive directors.

| SN | NAME | DESIGNATION | STATUS |
|---|---|---|---|
| 1 | Mr. J. S. Mutizwa | Board Chairperson | Non-Executive Director |
| 2 | Mr. R. J. Mbire | Vice Chairperson | Non-Executive Director |
| 3 | Mr. J. M. Chikura | Board Member | Non-Executive Director |
| 4 | Mrs. V. Nyemba | Board Member | Non-Executive Director |
| 5 | Mr. B. L. Nkomo | Board Member | Non-Executive Director |
| 6 | Mr. M. Sibanda | Board Member | Non-Executive Director |
| 7 | Mr. S. Mahuni | Board Member | Non-Executive Director |
| 8 | Mr. R. V. Mutyiri | Chief Executive Officer | Executive Director |
| 9 | Mr. A. J. Musemburi | Company Secretary | Executive Director |
| 10 | Mrs E Machaka Madziva | Finance Director | Executive Director |

# DIRECTORS' REPORT
For the year ended 31 December 2020

## 4. ACCOUNTING POLICIES

The accounting policies adopted by the Group are set out in 'notes 2-5' to the inflation adjusted consolidated financial statements.

## 5. RESULTS OF THE GROUP'S OPERATIONS

The Group recorded total comprehensive profit for the year of ZWL969,372,031 against ZWL9,829,287,333 from the 2019 financial year. The profit was as a result of normal Group operations during the period under review. Below is a summary of the results.

| | Inflation Adjusted | | Historical (Unaudited) | |
|---|---|---|---|---|
| | 2020 | 2019 | 2020 | 2019 |
| | ZWL | ZWL | ZWL | ZWL |
| Profit for the year from continuing operations | 1,838,932,851 | 9,139,693,769 | 2,013,852,796 | 484,473,097 |
| After tax profit from discontinued operations | (953,734,797) | 361,719,465 | 451,027,077 | 27,358,170 |
| After tax comprehensive income from discontinued operations | 84,173,977 | 327,874,099 | 569,336,533 | 143,621,304 |
| Total comprehensive profit | 969,372,031 | 9,829,287,333 | 3,034,216,406 | 655,452,571 |

## 6. IMPAIRMENT OF FINANCIAL ASSETS

An assessment for impairment was carried out as at 31 December 2020, resulting in a reversal of impairment being recorded for the period of ZWL92,283,584 in accordance with IFRS 9. The reversal was mainly a result of Agricultural portfolio which had initially been provided for, settling their accounts hence reducing the expected loss provision.

## 7. HYPERINFLATION ACCOUNTING

These inflation adjusted consolidated financial statements are prepared in accordance with IAS 29: Financial Reporting in Hyperinflationary Economies. A net monetary gain of ZWL974,628,385 was recorded as a result.

## 8. GOING CONCERN

The Directors have assessed the ability of the Group to continue operating as a going concern. They are satisfied that preparation of the financial statements on a going concern basis is still appropriate. The Directors have committed themselves to the continual assessment of the appropriateness of applying the going concern in the

# DIRECTORS' REPORT
For the year ended 31 December 2020

preparation of the financial statements of the Group. The Directors have also assessed the potential sensitivity to the financial position of the Group arising from exchange rate variances. These have been deemed to have minimal impact on the ability of the Group to continue operating as a going concern as almost all assets and liabilities held are in matched currencies.

Based on the Group's financial performance, maturity profile for its financial assets and liabilities and cashflow management, the Group's Directors conclude that the Group will continue to realise its assets and liabilities in the ordinary course of business. These financial statements are therefore prepared on that basis.

## 9. APPROVAL OF FINANCIAL STATEMENTS

The financial statements which appear on pages 15-156 were approved by the Directors on 1 March 2022 and the Directors authorised the following officials to sign the financial statements:

Mr. B. Mswaka
Chairman of the Board

Dr. C. Kanhai
Chief Executive Officer

Mr. W. Madera
Company Secretary

Mr. T. Muzariri
Chief Finance Officer

Date: 6 April 2022

**Ernst & Young**
Chartered Accountants (Zimbabwe)
Registered Public Auditors
Angwa City Cnr Julius Nyerere Way /
Kwame Nkrumah Avenue
P O Box 62 or 702
Harare
Zimbabwe

Tel: +263 24 2750905-14 or 2750979-83
Fax: +263 24 2750707 or 2773842 Email:
admin@zw.ey.com www.ey.com

# Independent Auditor's Report

To the Members of Zimbabwe Asset Management Corporation (Private) Limited

**Qualified Opinion on the Company inflation adjusted financial statements and Adverse Opinion on the Consolidated inflation adjusted financial statements**

We have audited the consolidated and company inflation adjusted financial statements of Zimbabwe Asset Management Corporation (Private) Limited and its subsidiaries ('the group') and company set out on pages 48 to 118; 121 to 179 respectively which comprise the consolidated and company inflation adjusted statements of financial position as at 31 December 2020, and the consolidated and company inflation adjusted statements of profit or loss and other comprehensive income, consolidated and company inflation adjusted statements of changes in equity and consolidated and company inflation adjusted statements of cash flows for the year then ended, and notes to the consolidated and company inflation adjusted financial statements, including a summary of significant accounting policies.

In our opinion, except for the effects of the matter described in the Basis for Qualified Opinion section of our report, the company inflation adjusted financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2020, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

In our opinion, because of the significance of the matters discussed in the Basis for Adverse Opinion section of our report, the accompanying consolidated inflation adjusted financial statements do not present fairly the financial position of the Group as at 31 December 2020, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

*Basis for Qualified Opinion on the company inflation adjusted financial statements and Adverse opinion on the consolidated inflation adjusted financial statements.*

Non-compliance with International Financial Reporting Standards IAS 21- The Effects of Changes in Foreign Exchange Rates in the prior year and Inappropriate Application of IAS 8- Accounting Policies, Changes in Accounting Estimates and Errors

**Impact of prior year modification on current period: group and company**

As explained in note 2.2 to the consolidated and company inflation adjusted financial statements, the Group changed its functional and reporting currency from United States Dollar (USD) to Zimbabwe Dollars (ZWL$) on 22 February 2019 in compliance with Statutory Instrument 33 of 2019.

Our most recent year end audit report was modified due to the impact of an incorrect date of change in functional currency. We believed that the change occurred on 1 October 2018 in terms of IAS21

*Zimbabwe Asset Management Corporation (Private) Limited*

given the significant monetary and exchange control policy changes witnessed in Zimbabwe from 2016 through to 2019.

Further contributing to the adverse opinion on the consolidated inflation adjusted financial statements only was the use of inappropriate exchange rate, at 31 December 2019 which did not meet IAS21 requirements for a spot rate, to translate the foreign associate to group reporting currency on consolidation.

Lastly, the valuation of investment properties, freehold land and buildings as at 31 December 2019 was not appropriate given the use of USD inputs and resultant translation to ZWL$. We were, however, not able to quantify the impact as the appropriate inputs could not be determined.

Consequently, inflation adjustments per IAS29 were made on an incorrect base as a result of the above matters, further contributing to our modified opinion in previous year.

Management has not made retrospective adjustments in terms of IAS 8 – Accounting Polices, Changes in Accounting Estimates and Errors to correct the above matters. Consequently, many corresponding amounts on the consolidated and company inflation adjusted financial statements are misstated, impacting comparability of the current period numbers.

**As a result of these matters:**

* While the effect on company inflation adjusted corresponding numbers is limited to a few items, a substantial portion of corresponding numbers are misstated on the consolidated inflation adjusted Statements of Financial Position, Cash Flows Profit or Loss and Changes in Equity.
* As opening balances enter the determination of cash flows and performance, our current year opinion is modified in respect of the impact of this matter on the consolidated and company inflation adjusted Statements of Cash Flows Profit or Loss and Changes in Equity.

Our opinion on the current year's consolidated and company inflation adjusted financial statements is also modified because of the possible effects of the above matter on the comparability of the current period's figures and the corresponding figures.

In addition to the impacts on the corresponding numbers, current year performance and cash-flows the matter continues to impact the following amounts on the company's inflation adjusted statement of financial position as they still comprise some amounts from opening balances: share premium ZWL$ 983 215 404 and retained earnings ZWL$ 2 237 128 948.

The following amounts are impacted on the consolidated inflation adjusted financial statements: Property, plant and equipment ZWL$$49 018 714, Share premium ZWL$ 983 215 404, Retained earnings ZWL$ 2 237 128 948, Non-controlling interests ZWL$ 620 164 589 and Net Assets Held for Sale ZWL$ 1 373 802 456.

**Exchange rates used in the current year – Group**

The Group translated foreign denominated transactions and balances using interbank rates from 1 January 2020 to 22 June 2020 and the auction rate from 23 June 2020 to 31 December 2020. We are not in agreement with management on the use of interbank rate from 1 January 2020 to 22 June 2020 for the Group as the exchange rate did not meet the requirements of a spot rate per IAS21.

The impact is the misstatement of the inflation adjusted After tax loss from discontinued operations ZWL$ 869 560 820 as a result of the misstated Revenue of ZWL$ 4 555 995 999, Exchange Loss on foreign currency exchange ZWL$180 450 981, Taxation expense ZWL$ 112 319 478 and Net Monetary loss of ZWL$ 146 414 544.

**Consolidating Foreign Associate using incorrect exchange rate – Group**

Further to the issue noted above in respect of inappropriate spot rates, management have also used the interbank rate during the period 1 January 2020 to 22 June 2020 to translate the foreign associate to group reporting currency on consolidation. The impact is the misstatement of the inflation adjusted After tax loss from discontinued operations ZWL$ 869 560 820 as a result of the misstated share of profits of associate, ZWL$ 62 335 126.

**Valuation of Investment Properties and Land and Buildings- Group and Company**

As at 31 December 2020, the Group's investment properties and land and buildings are carried at ZWL$ 432 405 381 and ZWL$701 532 202 respectively, both disclosed under the Assets Held for Sale ZWL$1 996 385 931. The company has investment properties amounting to ZWL$1 718 287 908. These assets were valued in USD using historical USD denominated inputs and converted to ZWL$ at the auction rate at the end of the year. We reviewed management's process of conversion of the valuations in USD and did not note any exceptions.

However, we believe that applying a conversion rate to a USD valuation to calculate ZWL$ values may not be an accurate reflection of market dynamics, as risks associated with currency trading do not always reflect the risks associated with the trading of the respective assets. Owing to the nature of the matter, we are unable to quantify the possible impact of the misstatement to the Group Assets Held for Sale ZWL$1 996 385 931 and Company investment properties ZWL$ 1 718 287 908.

**Consequential impact of the above matters on IAS 29 accounting – Group and Company**

Furthermore, notwithstanding that IAS 29 - Financial Reporting in Hyperinflationary Economies has been applied from 1 January 2020 to 31 December 2020, it is noted that its application was based on prior and current periods' financial information which has been misstated as a result of matters described above. Had the correct base numbers and start date been used, many elements on the consolidated and company inflation adjusted financial statements and some elements on the company inflation adjusted financial statements would have been materially different.

The effects of the above departures from IFRS are material and pervasive to the consolidated inflation adjusted financial statements and considered material but not pervasive to the company inflation adjusted financial statements.

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further descried in the Auditor's Responsibilities for the Audit of the Consolidated and Company Inflation Adjusted Financial Statements section of our report.

We are independent of the Group in accordance with the 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 the financial statements in Zimbabwe, and we have fulfilled our ethical responsibilities in accordance with these requirements and IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our adverse opinion on the consolidated inflation adjusted financial statements and qualified opinion on the company inflation adjusted financial statements.

**Key Audit Matters**

Except for the matters described in the Basis for Qualified and Adverse Opinion section, we have determined that there are no other key audit matters to communicate in our report.

*Other Information*

The directors are responsible for the other information. The other information comprises the Chairman's Statement, The Chief Executive Officer's Statement, the Directors' Report, Corporate Governance Report, Risk Management Report, Business Review and Financial Review but does not include the consolidated and company inflation adjusted financial statements and our auditor's report thereon. The Chairman's Statement, The Chief Executive Officer's Business Report, the Directors' Report and the Statement of Corporate Governance and Responsibility is expected to be made available to us after the date of this auditor's report. Our opinion on the consolidated and company 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 consolidated and company inflation adjusted financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated and company 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, we conclude that there is a material misstatement of this other information, we are required to report that fact. As described in the Basis for Qualified Opinion and Adverse Opinion section above, the Group and Company did not comply with the requirements of IAS 21 – Effects of Changes in Foreign Exchange Rates, we disagreed with the valuation of the Group's properties and the resultant impact these issues have had on the application of IAS 29. We have concluded that the other information is materially misstated for the same reasons.

*Responsibilities of the Directors for the Consolidated and Company Inflation Adjusted Financial Statements*

The directors are responsible for the preparation and fair presentation of the consolidated and company inflation adjusted financial statements in accordance with International Financial Reporting Standards and the requirements of the Companies and Business Entities Act (Chapter 24:31), and for such internal control as the directors determine is necessary to enable the preparation of consolidated and company inflation adjusted financial statements that are free from material misstatement, whether due to fraud or error.

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

*Auditor's Responsibilities for the Audit of the Consolidated and Company inflation adjusted Financial Statements*

Our objectives are to obtain reasonable assurance about whether the consolidated and company 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 consolidated and company 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 consolidated and company 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 group and company's internal control.

* Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

* Conclude on the appropriateness of the directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the group and company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated and company 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 group and/or the company to cease to continue as a going concern.

* Evaluate the overall presentation, structure and content of the consolidated and company financial statements, including the disclosures, and whether the consolidated and company financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

* Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated and company financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the directors 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 directors, we determine those matters that were of most significance in the audit of the consolidated and company 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.

The engagement partner on the audit resulting in this independent auditor's report is David Marange (PAAB Number 0436).

Ernst & Young
Chartered Accountants (Zimbabwe)
Registered Public Auditors
Harare
Date 07 April 2022

## CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
For the year ended 2020

| | Notes | Inflation Adjusted | | Historical (Unaudited) | |
|---|---|---|---|---|---|
| | | 2020 | 2019 | 2020 | 2019 |
| **Continuing Operations** | | ZWL | ZWL | ZWL | ZWL |
| Interest revenue calculated using the effective interest method | 6.1 | 195,813,925 | 1,154,983,801 | 112,100,375 | 87,917,249 |
| Fee Income | 6.1 | 24,946,110 | 14,472,429 | 24,185,026 | 1,389,689 |
| Interest expense calculated using the effective interest method | 6.2 | (111,302,794) | (767,651,496) | (54,529,535) | (52,967,260) |
| Commssion expense | 6.3 | (574,993) | (1,179,313) | (573,559) | (96,897) |
| **Net interest and commission income** | | **108,882,248** | **400,625,421** | **81,182,307** | **36,242,781** |
| Other Income | 6.4 | 154,664,470 | 26,190,443 | 72,290,188 | 3,441,381 |
| Operating Costs | 6.5 | (170,540,635) | (224,077,083) | (129,632,018) | (21,747,143) |
| **Profit before impairment of financial assets** | | **93,006,083** | **202,738,781** | **23,840,477** | **17,937,019** |
| Expected credit loss reversal | 7 | 92,283,584 | 499,784,154 | 92,283,584 | 111,408,745 |
| Investment property fair value adjustments | | 679,014,799 | 712,198,248 | 1,897,728,735 | 355,127,333 |
| Net Monetary gain | | 974,628,385 | 7,724,972,586 | - | - |
| **Profit before tax from continuing operations** | | **1,838,932,851** | **9,139,693,769** | **2,013,852,796** | **484,473,097** |
| Income tax | 6.6 | - | - | - | - |
| **Profit for the year from continuing operations** | | **1,838,932,851** | **9,139,693,769** | **2,013,852,796** | **484,473,097** |
| After Tax (loss)/ profit from discontinued operations | 14 | (953,734,797) | 361,719,465 | 451,027,077 | 27,358,170 |
| **Profit for the year** | | **885,198,054** | **9,501,413,234** | **2,464,879,873** | **511,831,267** |
| | | | | | |
| **Profit attributable to:** | | | | | |
| Equity holders of parent | | 881,842,404 | 9,380,198,420 | 2,242,017,419 | 497,320,572 |
| Non-controlling interest | | 3,355,650 | 121,214,814 | 222,862,453 | 14,510,695 |
| **Profit for the year** | | **885,198,054** | **9,501,413,234** | **2,464,879,873** | **511,831,267** |

## CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
For the year ended 31 December 2020

| | | | | | |
|---|---|---|---|---|---|
| **Profit for the year** | | **885,198,054** | **9,501,413,234** | **2,464,879,873** | **511,831,267** |
| Other comprehensive income to be reclassified to profit or loss in subsequent periods (net of tax) | | | | | |
| Exchange differences on translating foreign operations | | 140,098,989 | 141,974,235 | 156,251,845 | 46,494,631 |
| **Other comprehensive income not to be reclassified to profit or loss in subsequent periods (net of tax)** | | | | | |
| Revaluation of property, plant and equipment | | (55,925,012) | 185,899,864 | 413,084,688 | 97,126,673 |
| **After tax other comprehensive income** | **14** | **84,173,977** | **327,874,099** | **569,336,533** | **143,621,304** |
| **Total Comprehensive Profit** | | **969,372,031** | **9,829,287,333** | **3,034,216,406** | **655,452,571** |
| **Total Comprehensive Profit attributable to:** | | | | | |
| Equity holders of parent | | 930,160,239 | 9,568,405,835 | 2,568,199,714 | 579,762,565 |
| Non-controlling interest | | 39,211,792 | 260,881,498 | 466,016,692 | 75,690,006 |
| | | **969,372,031** | **9,829,287,333** | **3,034,216,406** | **655,452,571** |

* Comparative information has also been re-presented due to a discontinued operation. Refer to note 14.

## STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2020

| | | Inflation Adjusted | | Historical (Unaudited) | |
|---|---|---|---|---|---|
| | Notes | 2020 | 2019 | 2020 | 2019 |
| | | ZWL | ZWL | ZWL | ZWL |
| **Assets** | | | | | |
| Cash balances | 8 | 213,408,180 | 789,975,552 | 213,408,180 | 191,715,392 |
| Trade Receivables | 9.1 | - | 203,554,460 | - | 66,661,317 |
| Other Receivables | 9.2 | 9,811,878 | 137,597,578 | 6,421,405 | 35,064,458 |
| Loans and advances | 10.1 | 275,770,505 | 2,868,797,830 | 275,770,505 | 639,494,396 |
| Debt Asset Conversion | 10.2 | 35,466,994 | 169,645,628 | 35,466,994 | 37,816,338 |
| Preference Shares held | 10.3 | 3,364,363 | 10,987,843 | 3,364,363 | 2,449,341 |
| Local Shares | 11 | 85,626,723 | 65,773,009 | 85,626,723 | 14,661,706 |
| Financial Securities | 12 | 75,046,698 | 263,966,063 | 75,046,698 | 58,841,657 |
| Assets under development | 13 | - | 168,689 | - | 37,603 |
| Inventory | 15 | 1,588,723,159 | 441,390,153 | 999,685,787 | 121,092,647 |
| Investment in associate | 16 | - | 152,041,391 | - | 49,791,488 |
| Investment Property | 17 | 1,718,287,908 | 2,628,991,137 | 1,718,287,908 | 586,038,194 |
| Property and equipment | 20 | 49,018,714 | 1,011,556,436 | 15,993,119 | 176,578,215 |
| Goodwill | 19 | - | 957,122,523 | - | 34,350,077 |
| | | **4,054,525,122** | **9,701,568,292** | **3,429,071,682** | **2,014,592,829** |
| Assets held for sale | 14 | 1,996,385,931 | - | 2,004,233,988 | |
| **Total Assets** | | **6,050,911,053** | **9,701,568,292** | **5,433,305,670** | **2,014,592,829** |
| **EQUITY & LIABILITIES** | | | | | |
| Capital & Reserves | | | | | |
| Share capital | 21 | 27,864 | 27,864 | 1,000 | 1,000 |
| Share premium | 21 | 983,215,404 | 983,215,404 | 35,286,521 | 35,286,521 |
| Non distributable reserve | | - | 188,207,415 | - | 96,099,573 |
| Equity component of compound instruments | | (39,036,399) | 47,951,520 | (1,625,229) | 10,697,993 |
| Retained earnings | | 2,237,128,948 | 1,268,298,626 | 2,457,002,531 | 203,030,392 |
| Reserves associated with discontinued operations | | 236,525,250 | - | 422,281,868 | - |
| **Total Shareholders Funds** | | **3,417,861,067** | **2,487,700,829** | **2,912,946,691** | **345,115,479** |
| **Non Controlling Interests** | | **620,164,589** | **580,952,797** | **568,004,772** | **102,261,541** |

## STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2020

| | | | | | |
|---|---|---|---|---|---|
| **Liabilities** | | | | | |
| Payables | 22 | 45,851,749 | 702,202,946 | 45,851,749 | 221,747,155 |
| Loans and Borrowings | 24 | 158,248,630 | 1,031,039,826 | 158,248,630 | 265,064,484 |
| Treasury Bills In Issue | 25 | 1,020,338,179 | 4,602,080,519 | 1,020,338,179 | 1,025,866,888 |
| Deferred income | 26 | 70,924,656 | 92,222,132 | 2,545,408 | 3,309,751 |
| Deferred tax liability | 27 | - | 135,667,046 | - | 28,401,009 |
| Provision for tax | | - | 69,702,197 | - | 22,826,522 |
| | | **1,295,363,214** | **6,632,914,666** | **1,226,983,966** | **1,567,215,809** |
| Liabilities associated with assets held for sale | 14 | 717,522,183 | - | 725,370,241 | - |
| **Total Equity &Liabilities** | | **6,050,911,053** | **9,701,568,292** | **5,433,305,670** | **2,014,592,829** |

These inflation adjusted consolidated financial statements were prepared by the finance department of Zimbabwe Asset Management Corporation (Private) Limited, under the direction and supervision of the Chief Finance Officer, Tatenda Muzariri (FCCA) (PAAB Number 04011).

Mr. B. Mswaka
Chairman of the Board

Dr.C.Kanhai
Chief Executive Officer

Mr. W. Madera
Company Secretary

Mr. T. Muzariri
Chief Finance Officer

Date: 6 April 2022

## STATEMENT OF CHANGES IN EQUITY
For the year ended 31 December 2020

### INFLATION ADJUSTED

| | Share capital | Share Premium | Non Distributable Reserve | Equity component of compound financial instrument | Retained Earnings | Reserves associated with discontinued operations | Non-controlling interest | Total |
|---|---|---|---|---|---|---|---|---|
| | ZWL | ZWL | ZWL | ZWL | ZWL | ZWL | ZWL | ZWL |
| Balance at 1 January 2019 | 27,864 | 983,215,404 | - | (3,811,730) | (8,111,899,794) | - | 281,658,352 | (6,850,809,904) |
| Profit for the year | - | - | - | - | 9,380,198,420 | - | 121,214,814 | 9,501,413,234 |
| Other comprehensive income | - | - | 188,207,415 | - | - | - | 139,666,684 | 327,874,099 |
| Settlement of compound financial instruments | | | | 51,763,250 | - | - | 38,412,947 | 90,176,197 |
| Balance at 31 December 2019 | 27,864 | 983,215,404 | 188,207,415 | 47,951,520 | 1,268,298,626 | - | 580,952,797 | 3,068,653,626 |
| Profit for the year | - | - | - | - | 881,842,404 | - | 3,355,650 | 885,198,054 |
| Other comprehensive income | - | - | 48,317,835 | - | - | - | 35,856,142 | 84,173,977 |
| Settlement of compound financial instruments | - | - | - | (86,987,919) | 86,987,919 | - | - | - |
| Transfer to reserves associated with discontinued operations | - | - | (236,525,250) | - | - | 236,525,250 | - | - |
| Balance at 31 December 2020 | 27,864 | 983,215,404 | - | (39,036,399) | 2,237,128,948 | 236,525,250 | 620,164,589 | 4,038,025,657 |
| *Balance at 1 January 2019* | *1,000* | *35,286,521* | *3,163,007* | *(136,798)* | *(294,290,180)* | - | *10,108,409* | *(245,868,041)* |
| *Profit for the year* | - | - | - | - | *497,320,572* | - | *14,510,695* | *511,831,267* |
| *Other comprehensive income* | - | - | *82,441,993* | - | - | - | *61,179,311* | *143,621,304* |
| *Currency Translation* | - | - | *10,494,573* | - | - | - | *8,422,745* | *18,917,318* |
| *Settlement of compound financial instruments* | - | - | - | *10,834,791* | - | - | *8,040,381* | *18,875,172* |
| *Balance at 31 December 2019* | *1,000* | *35,286,521* | *96,099,573* | *10,697,993* | *203,030,392* | - | *102,261,541* | *447,377,020* |
| *Profit for the year* | - | - | - | - | *2,242,017,419* | - | *222,862,453* | *2,464,879,872* |

## STATEMENT OF CHANGES IN EQUITY
For the year ended 31 December 2020

| | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| Other comprehensive income | - | - | 326,182,295 | - | - | - | 243,154,239 | 569,336,534 |
| Settlement of compound financial instruments | - | - | - | (12,323,222) | 11,954,720 | - | (273,461) | (641,963) |
| Transfer to reserves associated with discontinued operations | - | - | (422,281,868) | - | - | 422,281,868 | - | - |
| | | | | | | | | - |
| Balance at 31 December 2020 | 1,000 | 35,286,521 | - | (1,625,229) | 2,457,002,531 | 422,281,868 | 568,004,772 | 3,480,951,463 |

## STATEMENT OF CASH FLOWS
For the year ended 31 December 2020

| | | INFLATION ADJUSTED | | HISTORICAL (UNAUDITED) | |
|---|---|---|---|---|---|
| | Notes | 2020 | 2019 | 2020 | 2019 |
| | | ZWL | ZWL | ZWL | ZWL |
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | | | | |
| Profit before taxation from continuing operations | | 1,838,932,851 | 9,139,693,769 | 2,013,852,796 | 484,473,097 |
| (Loss)/Profit before tax associated with discontinued operations | 14 | (841,415,319) | 544,753,764 | 578,742,662 | 43,218,759 |
| *Adjustments for non-cash items* | | | | | |
| Depreciation | | 2,080,522 | 3,931,799 | 1,471,883 | 325,958 |
| Interest and related income accruals | | (220,760,035) | (1,169,456,230) | (136,285,401) | (89,306,938) |
| Interest expense accruals | | 111,302,794 | 767,651,496 | 54,529,535 | 52,967,260 |
| Mark to market adjustments | | (152,909,681) | 620,681 | (70,965,016) | 344,699 |
| Fair value adjustment on investment property | | (679,014,799) | (712,198,248) | (1,897,728,735) | (355,127,333) |
| Allowance for credit loss | 7 | (92,283,584) | (499,784,154) | (92,283,584) | (111,408,745) |
| (Profit) / Loss on the disposal of PPE | | 139,348 | 209,121 | 109,201 | 43,848 |
| Net monetary gain | | (974,628,385) | (7,724,972,586) | - | - |
| *Working Capital changes* | | | | | |
| (Increase) / Decrease in loans and receivables | | 1,448,726,728 | 2,544,168,284 | 551,725658 | 248,914,410 |
| (Increase) / Decrease in inventories | | (1,147,333,006) | (35,486,586) | (991,096,753) | (7,910,447) |
| Increase / (Decrease) in payables, loans and borrowings | | 35,089,064 | 171,082,387 | 27,379,390 | 26,506,943 |
| Interest received | | 29,038,443 | 40,840,690 | 22,066,731 | 3,571,322 |
| Interest paid | | (109,754,987) | (723,957,718) | (50,815,092) | (49,280,079) |
| Income taxes paid | | - | - | - | - |
| Net cashflows from operating activities associated with discontinued operations | 14 | 1,175,395,074 | (1,121,941,676) | (585,566,800) | (18,317,992) |
| **Cash generated from operations** | | **422,605,028** | **1,225,154,793** | **(574,863,525)** | **229,014,762** |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | | | | |
| Investment property purchases | | (26,727,713) | (393,376,084) | (22,165,526) | (87,689,366) |
| Investment property sales | | 1,142,990,874 | - | 682,104,961 | - |
| Purchase of property, plant and equipment | | (19,211,300) | (7,280,799) | (15,765,099) | (1,622,990) |
| Acquisition of portfolio investments | | - | (625,419,388) | - | (50,744,093) |
| Net cashflows from investing activities associated with discontinued operations | 14 | 76,730,546 | 30,168,526 | 76,050,540 | 6,619,899 |
| *Net cash used in investing activities* | | **1,173,782,407** | **(995,907,745)** | **720,224,876** | **(133,436,550)** |
| **CASH FLOWS FROM FINANCING ACTIVITIES** | | | | | |
| Proceeds from Long Term Borrowings | | - | 625,419,388 | - | 50,744,093 |
| Repayment of Treasury bills | 22 | (11,071,747) | (62,954,386) | (5,528,709) | (3,510,571) |
| Net cashflows from financing activities associated with discontinued operations | 14 | (69,618,254) | (52,924,872) | (63,971,488) | (10,623,674) |
| **Net cash used in financing activities** | | **(80,690,001)** | **509,540,130** | **(69,500,197)** | **36,609,848** |

STATEMENT OF CASH FLOWS
For the year ended 31 December 2020

## STATEMENT OF CASH FLOWS (Continued)

| | Notes | INFLATION ADJUSTED 2020 ZWL | INFLATION ADJUSTED 2019 ZWL | HISTORICAL (UNAUDITED) 2020 ZWL | HISTORICAL (UNAUDITED) 2019 ZWL |
|---|---|---|---|---|---|
| Net increase in cash and cash equivalents | | 1,515,697,434 | 738,787,178 | 75,861,154 | 132,188,060 |
| Cash & cash equivalents at beginning of the year | | 789,975,552 | 1,075,474,852 | 191,715,392 | 38,597,611 |
| Effects of inflation on cash and cash equivalents | | (1,601,799,097) | 2,980,596 | | |
| Net foreign exchange difference | | (282,789,701) | (1,027,267,074) | 177,451,858 | 20,929,721 |
| **Cash and cash equivalents at end of the year** | **8** | **421,084,188** | **789,975,552** | **445,028,404** | **191,715,392** |

# NOTES TO THE GROUP FINANCIAL STATEMENTS
For the year ended 31 December 2020

## 1. REPORTING ENTITY

The Zimbabwe Asset Management Corporation (Private) Limited and its subsidiaries (collectively, the Group) is domiciled in Zimbabwe, with entities incorporated and operating in Zimbabwe. The service address for the Group is 5th Floor, Hardwicke House, 72-74 Samora Machel Avenue, Harare.

### 1.1 Nature of business

Zimbabwe Asset Management Corporation Group ("the Group", "the ZAMCO Group") represents Zimbabwe Asset Management Corporation (Private) Limited, ("the company" or "parent") and all entities under its control. The Group is ultimately controlled by the Reserve Bank of Zimbabwe.

The Group is principally engaged in the resolution of acquired non-performing loans, asset management, land development, sugar refinery and marketing, production of sugar-related products and investment and management of properties.

## 2. BASIS OF PREPARATION

The Group's financial results have been prepared under policies consistent with the requirements of the Companies and Other Business Entities Act (Chapter 24.31). The financial results have been restated to take account of inflation in accordance with IAS 29: Financial Reporting in Hyperinflationary Economies. The Group prepares inflation adjusted consolidated financial statements with the aim to comply fully with International Financial Reporting Standards (IFRS). IFRS compliance is intended to achieve consistency and comparability of financial statements. However, it has been impracticable to fully comply with IFRS in the current and prior year, due to the need to comply with local legislation, specifically Statutory Instrument 33 of 2019. The Directors are of the view that the requirement to comply with the Statutory Instrument has created inconsistencies with International Accounting Standard (IAS) 21 (The effects of changes foreign exchange rates) as well as with the principles in the IFRS Conceptual Framework. This has resulted in the accounting treatment adopted in the 2019 and 2020 Financial Statements being different from that which the Directors would have adopted if the Group had been able to comply fully with IFRS.

### 2.1 Basis of consolidation

The inflation adjusted consolidated financial statements comprise the financial statements of the Group and its subsidiaries as at 31 December 2020.

Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the Group has:

* Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee).
* Exposure, or rights, to variable returns from its involvement with the investee, and
* The ability to use its power over the investee to affect its returns.

# NOTES TO THE GROUP FINANCIAL STATEMENTS
For the year ended 31 December 2020

Generally there is a presumption that a majority of voting rights results in control. When the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

* The contractual arrangement(s) with the other vote holders of the investee.
* Rights arising from other contractual arrangements.
* The Group's voting rights and potential voting rights.

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary.

Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the Group financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

* Derecognises the assets (including goodwill) and liabilities of the subsidiary.
* Derecognises the carrying amount of any non-controlling interests.
* Derecognises the cumulative translation differences recorded in equity.
* Recognises the fair value of the consideration received.
* Recognises the fair value of any investment retained.
* Recognises any surplus or deficit in profit or loss.
* Reclassifies the parent's share of components previously recognised in OCI to profit or loss or retained earnings, as appropriate, as would be required if the Group had directly disposed of the related assets or liabilities.

The Group's inflation adjusted financial statements for the year 2020 have been consolidated with the subsidiary accounted for as a disposal group held for sale in accordance with IFRS 5. Detailed information on the consolidation of the subsidiary is contained in note 14 to the Group's financial statements.

### 2.2 Change in functional currency

In February 2019, the Reserve Bank of Zimbabwe announced a monetary policy statement whose highlights among other issues were:

- Denomination of real time gross settlement (RTGS) balances, bond notes and coins collectively as RTGS dollars. RTGS dollars became part of the multi-currency system.

# NOTES TO THE GROUP FINANCIAL STATEMENTS
For the year ended 31 December 2020

- Indicated that RTGS dollars were to be used by all entities (including the Government) and individuals in Zimbabwe for purposes of pricing of goods and services, record debts, accounting and settlement of domestic transactions.

- Establishment of an inter-bank foreign exchange market where the exchange rate would be determined on a willing buyer willing seller basis.

The monetary policy announcement was followed by the publication of Statutory Instrument (S.I.) 33 of 2019 on 22 February 2019. The statutory instrument gave legal effect to the introduction of the RTGS dollar as legal tender and prescribed that for accounting and other purposes, certain assets and liabilities on the effective date would be deemed to be RTGS dollars at a rate of 1: 1 to the US dollar and would become opening RTGS dollar values from the effective date. As a result of the currency changes announced by the monetary authorities, the Directors assessed as required by International Accounting Standard (IAS) 21, The Effects of Changes in Foreign Exchange Rates and consistent with the guidance issued by the Public Accountants and Auditors Board (PAAB) whether use of the United States dollar as the functional and reporting currency remained appropriate. Based on the assessment, the Directors concluded that the entity's transactional and functional currency had changed to the RTGS dollar. The Group adopted the RTGS dollar as the new functional and reporting currency with effect from 22 February 2019 using the interbank midrate of US$1: ZWL2.5.

Further, on 24 June 2019, Statutory Instrument 142 of 2019 introduced the Zimbabwean Dollar (ZWL) which is at par with the bond notes and RTGS dollars, that is to say each bond note unit and each RTGS dollar is equivalent to a Zimbabwe Dollar. In this regard, these financial statements are therefore presented in ZWL, being the currency of the primary economic environment in which the entity operates.

## 2.3 Financial Reporting Presentation

The Group presents its inflation adjusted consolidated statement of financial position in order of liquidity.

## 2.4 Use of estimates and judgments

The preparation of the financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the year in which the estimate is revised if the revision affects only that year or in the year of revision and future years if the revision affects both current and future years. Management judgment was used in the application of accounting policies that have a significant effect on the financial statements and

## NOTES TO THE GROUP FINANCIAL STATEMENTS
For the year ended 31 December 2020

on estimates with a significant risk of material adjustments in the subsequent year

Information about significant areas of estimation, uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements are described in note 5, to the financial statements.

2.5 Application of IAS 29 (Financial Reporting in Hyperinflationary Economies)

During the reporting period, the economy continued to face significant inflationary pressures as evidenced by a rising Consumer Price Index (CPI). The high year-on year inflation amongst other indicators outlined in IAS 29 resulted in a consensus within the accounting and auditing profession that the Zimbabwe economy had met the characteristics of a hyperinflationary economy. The PAAB confirmed this market consensus and issued a pronouncement in October 2019 prescribing application of inflation accounting for reporting periods ended on or after 1 July 2019.

These results have been prepared in accordance with IAS 29 which requires that the financial statements of any entity whose functional currency is the currency of a hyperinflationary economy be stated in terms of the measuring unit current at the reporting date and that corresponding figures for the previous period also be restated in terms of the same measuring unit. The Group adopted the Zimbabwe consumer price index (CPI) compiled by Zimbabwe National Statistics Agency (ZIMSTAT) as the general price index to restate transactions and balances as appropriate. The indices and conversion factors used to restate these financials are given below.

| Dates | Indices | Conversion Factors |
|---|---|---|
| 31 March 2021 | 2,759.83 | 0.8966 |
| 31 December 2020 | 2,474.510 | 1.000 |
| 31 December 2019 | 551.625 | 4.48604 |
| 31 December 2018 | 88.080 | 27.8638 |

The procedures applied in the above restatement of transactions and balances are as follows:

- All comparative figures as of and of the year ended 31 December 2019 were restated by applying the change in the index from 31 December 2019 to 31 December 2020.

- Restated retained earnings was derived from all the other amounts in the restated statement of financial position

- Monetary assets and liabilities were not restated because they are already stated in terms of the measuring unit current at the reporting date.

- Non-monetary assets and liabilities that are not carried at amounts current at the reporting date and components of shareholders equity were restated by applying the change in the index from the date of the transaction or if applicable from the date of their most recent revaluation to 31 December 2020.

- Items recognised in the income statement have been restated by applying the change in the general price index from the dates when the transactions were initially earned or incurred. Depreciation and amortisation amounts are

# NOTES TO THE GROUP FINANCIAL STATEMENTS
For the year ended 31 December 2020

based on the restated costs or carrying amounts.

- Income statement items/transactions, except for depreciation and amortisation charges explained above, are restated by applying the monthly index for the year ended 31 December 2020.

### 2.5 Application of IAS 29 (Financial Reporting in Hyperinflationary Economies)

- Gains and losses arising from the net monetary position are included in the statement of profit or loss and in the statement of cash flows as non-cash items.

- All items in the statement of cash flows are expressed in terms of the general price index at the end of the reporting period.

- The inflation effects on cash and cash equivalents were shown separately under non cash items Historical financial statements have been presented to allow comparability during the transitional phase in applying the standard, although IAS 29 discourages their publication.

- The subsidiary financial statements, which were presented in current cost units as at 31 March 2021, were restated to 31 December 2020 using an index of 0.897.

## SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### 3.1 Revenue recognition

Revenue is the increase in economic benefits arising in the course of the Group's ordinary activities during the accounting period in the form of inflows or enhancements of assets or decreases of liabilities that result in an increase in equity, other than those relating to contributions from equity participants.

### 3.1.1 Interest income

Interest income arises from the Group's lending and money market activities. It is accrued on a time apportionment basis, by reference to the principal outstanding and at the interest rate applicable to the instrument as further explained in note 3.6.1.10.

### 3.1.2 Fee income

The Group recognises fees on an accrual basis from loan restructuring services in accordance with the substance of the underlying transaction.

### 3.1.3 Dividend income

Dividend income from investments is recognised when the Group's rights to receive the dividend have been established.

### 3.1.4 Rental income

Rental income arising from operating leases on investment properties is recognised on a monthly basis based on the lease terms which are generally on short term and subject to review after every twelve months. Amounts received from tenants to terminate leases or to compensate for dilapidations are recognised in profit or loss when they arise.

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### 3.1.5 Revenue from contracts with customers

Revenue from contracts with customers is recognised when control of the goods or services is transferred to the customer at an amount that

# NOTES TO THE GROUP FINANCIAL STATEMENTS
For the year ended 31 December 2020

reflects the consideration to which the Group expects to be entitled in exchange for those goods or services. The Group has generally concluded that it is the principal in its revenue arrangements because it typically controls the goods or services before transferring them to the customer.

### 3.1.6 Sale of goods

Revenue from sale of goods is recognised at the point in time when control of the asset is transferred to the customer, generally on delivery of the goods. The normal credit term is 30 days upon delivery.

The Group considers whether there are other undertakings in the contract that are separate performance obligations to which a portion of the transaction price needs to be allocated (e.g., warranties, customer loyalty points). In determining the transaction price for the sale of goods, the Group considers the effects of variable consideration, the existence of significant financing components, non-cash consideration, and consideration payable to the customer (if any).

### 3.1.7 Variable consideration

If the consideration in a contract includes a variable amount, the Group estimates the amount of consideration to which it will be entitled in exchange for transferring the goods to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur when the associated uncertainty with the variable consideration is subsequently resolved. Some contracts for the sale of goods give customers a right of return and volume rebates. The rights of return and volume rebates give rise to variable consideration.

- **Rights of return**

  Certain contracts provide a customer with a right to return the goods within a specified period. The Group uses the expected value method to estimate the goods that will not be returned because this method best predicts the amount of variable consideration to which the Group will be entitled. The requirements in IFRS 15 on constraining estimates of variable consideration are also applied in order to determine the amount of variable consideration that can be included in the transaction price. For goods that are expected to be returned, instead of revenue, the Group recognises a refund liability. A right of return asset (and corresponding adjustment to cost of sales) is also recognised for the right to recover products from a customer.

- **Volume rebates**

  The Group provides retrospective volume rebates to certain customers once the quantity of products purchased during the period exceeds a threshold specified in the contract. Rebates are offset against amounts payable by the customer. To estimate the variable consideration for the expected future rebates, the Group applies the most likely amount method for contracts with a single-volume threshold and the expected value method for contracts with more than one volume threshold. The selected method that best predicts the amount of variable consideration is primarily driven by the number of volume thresholds contained in the contract. The Group then applies the requirements on constraining estimates of variable consideration and recognises a refund liability for the expected future rebates.

# NOTES TO THE GROUP FINANCIAL STATEMENTS
For the year ended 31 December 2020

## 3.2 Functional and presentation currency

These inflation adjusted consolidated financial statements are presented in Zimbabwean Dollars being the currency of the primary economic environment in which the entity operates.

### 3.2.1 Transactions and balances

Following SI33, All previously held USD balances were converted as 1:1 to Zimbabwean Dollars. The USD official exchange rate in use in the year 2020 was based on the interbank market from the beginning of the year until 22 June 2020. The auction market system was introduced from the 23rd of June and was operational for the remainder of the year.

Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rate of exchange at the reporting date. All differences arising on settlement or translation of monetary items are taken to the statement of profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at

fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. The gain or loss arising on translation of non-monetary items is treated in line with the recognition of gain or loss on change in fair value of the item (i.e. translation differences on items whose fair value gain or loss is recognized in other comprehensive income or the statement of profit or loss is also recognized in other comprehensive income or the statement of profit or loss, respectively).

## 3.3 Employee benefits

### 3.3.1 Retirement benefit costs

The Group contributes towards a defined contribution plan. Contributions to this plan are recognised as an expense in the statement of profit or loss and other comprehensive income in the periods in which services are rendered by the employees.

### 3.3.2 Pension scheme

ZAMCO and its employees contribute 15% and 6% of pensionable earnings respectively to Pension Funds. Employer and employees contribute towards the mandatory National Social Security's Pension Scheme. The funds are defined contribution funds, the assets of which are held in a separate trustee-administered fund.

### 3.3.3 Termination benefits

Termination benefits are recognised as an expense when the Group is committed, without realistic possibility of withdrawal, to a formal detailed plan to terminate employment before the normal retirement date, or to provide termination benefits as a result of an offer made to encourage voluntary redundancy. Termination benefits for voluntary redundancies are recognised as an expense if the Group has made an offer encouraging voluntary redundancy, it is probable that the offer will be accepted, and the number of acceptances can be estimated reliably.

### 3.3.4 Short term benefits

Short term benefits consist of salaries, accumulated leave payments and any non-

monetary benefits such as medical aid contributions. Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

A liability is recognised for the amount expected to be paid under accumulated leave if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

### 3.4 Taxation

#### 3.4.1 Current income tax

The parent company is exempt from income tax. For the subsidiary, current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, by the reporting date, in the countries where the Group operates and generates taxable income. Current income tax relating to items recognised directly in equity or other comprehensive income is recognised in equity or other comprehensive income and not in profit or loss. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

#### 3.4.2 Deferred tax

Deferred tax is provided using the liability method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred tax liabilities are recognised for all taxable temporary differences, except:

Where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint arrangements, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised except:

When the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

In respect of deductible temporary differences associated with investments in subsidiaries associates and interest in joint arrangements, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in profit or loss, other comprehensive income or directly in equity.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

### 3.4.3 Value Added Tax (VAT)

Revenues, expenses and assets are recognised net of the amount of VAT except:

Where the VAT incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the VAT is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable.

Receivables and payables that are stated with the amount of VAT included. The net amount of VAT recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

### 3.5 Property, Plant and equipment

Land and buildings held for use in the provision and supply of services, or for administrative purposes, are initially measured at cost and subsequently stated in the statement of financial position at their revalued amounts, being the fair value at the reporting date, determined from market-based evidence by appraisal undertaken by independent professional valuers, less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

Revaluations are performed with sufficient regularity such that the carrying amount does not differ materially from the fair value determined at the reporting date. Property and equipment are revalued after three years in accordance with the Audit, Risk and Oversight Committee guidelines. Any revaluation increase arising on the revaluation of buildings is credited to the revaluation reserve, except to the extent that it reverses a revaluation decrease for the same assets previously recognised as an expense, in which case the increase is credited to profit or loss to the extent of the decrease previously charged.

A decrease in carrying amount is charged as an expense to the extent that it exceeds the balance,

# NOTES TO THE GROUP FINANCIAL STATEMENTS
For the year ended 31 December 2020

if any, held in revaluation reserve relating to a previous revaluation of that asset.

Depreciation on revalued buildings is charged to profit or loss. On the subsequent sale or retirement of a revalued property, the attributable revaluation surplus remaining in the properties revaluation reserve is transferred directly to the accumulated fund.

Furniture, equipment and motor vehicles are stated at acquisition cost less accumulated depreciation and impairment losses.

Depreciation is charged so as to write off the acquisition cost or valuation of assets, other than land and buildings under construction, over their estimated useful lives to their residual values, using the straight line method, on the following basis:

| | |
|---|---|
| Buildings | 2% straight line |
| Plant and Machinery | 5%-15% straight line |
| Computer Equipment | 10%-33% straight line |
| Computer Software | 10%-33% straight line |
| Office Equipment | 10%-33% straight line |
| Furniture and Fittings | 10%-33% straight line |
| Motor vehicles | 10%-30% straight line |

The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised as income or expense in profit or loss.

## 3.6 Inventories

Inventories are valued at the lower of cost and net realisable value. Costs incurred in bringing each product to its present location and conditions are accounted for as follows:

* Raw materials: weighted average method.
* Finished goods and work in progress: cost of direct materials and labour and a proportion of manufacturing overheads based on the normal operating capacity, but excluding borrowing costs.
* Consumables: weighted average method.

Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

## 3.7 Investments

### 3.7.1 Investment Property

Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the reporting date. Gains or losses arising from changes in the fair values of investment properties are included in profit or loss in the period in which they arise, including the corresponding tax effect. Fair values are determined based on an annual valuation performed by an accredited external independent consultant applying a valuation model recommended by the International Valuation Standards Committee.

Investment properties are derecognised either when they have been disposed of (i.e. at the date the recipient obtains control) or when they are permanently withdrawn from use and no future economic benefit is expected from their disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognised in profit or loss in the period of derecognition. The amount of consideration to be included in the gain or loss arising from the derecognition of investment property is determined in accordance with the requirements for determining the transaction price in IFRS 15.

Transfers are made to (or from) investment property only when there is a change in use. For a transfer from investment property to owner-occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner-occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use.

### 3.7.2 Business Combinations and Goodwill

The Group applies consistent accounting policies across Group companies to allow for the combination of like transactions and events when consolidating. In the company's separate financial statements, the investment in a subsidiary is carried at fair value through profit or loss. Goodwill on acquisitions of subsidiaries represents the excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date carrying amount of any previous equity interest in the acquiree over the carrying amount of the net identifiable assets acquired. Goodwill on subsidiaries is recognised separately as intangible assets and carried at cost less accumulated impairment losses. Goodwill on associated companies is included in the carrying amount of the investments. Gains and losses on the disposal of subsidiaries and associated companies include the carrying amount of goodwill relating to the entity sold. Goodwill arising from business combinations has an indefinite lifespan and is tested for impairment annually. Impairment reduces the carrying amount of a subsidiary to its recoverable amount where such carrying amount exceeds its recoverable amount.

### 3.7.3 Investment in an associate

The financial results of the Group's associate are included in the group's results according to the equity method from acquisition date until the disposal date. Under this method, subsequent to the acquisition date, the Group's share of profits or losses of associate is charged to profit or loss as equity accounted earnings and its share of movements in other comprehensive income and equity is recognised in other comprehensive income or equity. All cumulative post-acquisition movements in the equity of associates are adjusted against the cost of the investment. When the group's share of losses in associates equals or exceeds its interest in those associates, the group does not recognise further losses, unless the group has incurred a legal or constructive obligation or made payments on behalf of those associates. Goodwill relating to associate is included in the carrying value of the associate and is not amortised or separately tested for impairment.

The total carrying value of associate, including goodwill, is tested for impairment when there is objective evidence that the investment in the associate is impaired. If impaired, the carrying value of the Group's share of the underlying assets of the associate is written down to its estimated recoverable amount in accordance with the accounting policy on impairment and charged to profit or loss. Unrealised gains and losses resulting from transactions between the Group and associate are eliminated to the extent of the interest in the associate.

The associate's accounting policies conform to those used by the Group for like transactions and events in similar circumstances. In the Company financial statements the investment in associate is accounted for at cost.

### 3.7.4 Investment in subsidiary

The subsidiary's accounting policies conform to those used by the Group for like transactions and events in similar circumstances.

### 3.8 Cash and short term deposits

Cash and short-term deposits in the statement of financial position comprise cash at banks and on hand and short-term deposits with a maturity of three months or less, which are subject to an insignificant risk of changes in value. For the purpose of the consolidated statement of cash flows, cash and cash equivalents consist of cash and short-term deposits, as defined above, net of outstanding bank overdrafts as they are considered an integral part of the Group's cash management. Cash falls into the debt instruments category and are accounted for at amortised cost.

### 3.9. Financial Assets and Liabilities

### 3.9.1 Financial instruments

Financial assets and financial liabilities are recognised in the Group's inflation adjusted consolidated statement of financial position when the Group becomes a party to the contractual provisions of the instrument. Recognised financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at FVTPL) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognised immediately in profit or loss.

If the transaction price differs from fair value at initial recognition, the Group will account for such difference as follows:

- if fair value is evidenced by a quoted price in an active market for an identical asset or liability or based on a valuation technique that uses only data from observable markets, then the difference is recognised in profit or loss on initial recognition (i.e. day 1 profit or loss);
- in all other cases, the fair value will be adjusted to bring it in line with the transaction price (i.e. day 1 profit or loss will be deferred by including it in the initial carrying amount of the asset or liability).

After initial recognition, the deferred gain or loss will be released to profit or loss on a rational basis, only to the extent that it arises from a change in a factor (including time) that market participants would consider when pricing the asset or liability.

### 3.9.1.1 Financial Assets and Financial Liabilities

The Group classifies its financial instruments in the following categories: at fair value through profit and loss ("FVTPL"), at fair value through other comprehensive income ("FVTOCI") or at amortized cost. The Group determines the classification of financial assets at initial recognition. The classification of debt instruments is driven by the Group's business model for managing the financial assets and their contractual cash flow characteristics.

Equity instruments that are held for trading are classified as FVTPL, for other equity instruments, the Group can make an irrevocable election (on an instrument-by-instrument basis) to designate them as at FVTOCI. Financial liabilities are measured at amortized cost, unless they are required to be measured at FVTPL (such as instruments held for trading or derivatives) or the Group has opted to measure them at FVTPL.

### 3.9.1.3 Measurement

#### 3.9.1.3.1 Financial assets at FVTOCI

Elected investments in equity instruments at FVTOCI are initially recognized at fair value plus transaction costs. Subsequently they are measured at fair value, with gains and losses arising from changes in fair value recognized in other comprehensive (loss) income.

#### 3.9.1.3.2 Financial assets and liabilities at amortized cost

Financial assets and liabilities at amortized cost are initially recognized at fair value, and subsequently carried at amortized cost less any impairment.

#### 3.9.1.3.3 Financial assets and liabilities at FVTPL

Financial assets and liabilities carried at FVTPL are initially recorded at fair value and transaction costs are expensed in profit or loss. Realized and unrealized gains and losses arising from changes in the fair value of the financial assets and liabilities held at FVTPL are included in the profit or loss in the period in which they arise. Where management has opted to recognize a financial liability at FVTPL, any changes associated with the entity's own credit risk will be recognized in other comprehensive (loss) income.

**The Group considers the following as constituting an event of default:**

- the financial asset is past due more than 90 days on any material credit obligation to the Group; or
- the financial asset is unlikely to pay its credit obligations to the Group in full.

The definition of default is appropriately tailored to reflect different characteristics of different types of assets. When assessing if the borrower is unlikely to pay its credit obligation, the Group considers both qualitative and quantitative indicators. The information assessed depends on the type of the asset and sources of information to assess default which are either developed internally or obtained from external sources.

#### 3.9.1.4.1 Significant increase in credit risk

The Group monitors all financial assets, contracts that are subject to the impairment requirements to assess whether there has been a significant increase in credit risk since initial recognition. If there has been a significant increase in credit risk the Group will measure the loss allowance based on lifetime rather than 12-month ECL.

The Group's accounting policy is to use the practical expedient that financial assets with 'low' credit risk at the reporting date are deemed not to have had a significant increase in credit risk.

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument at the reporting date based on the remaining maturity of the instrument with the risk of a default occurring that was anticipated for the remaining maturity at the current reporting date when

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the financial instrument was first recognised. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort, based on the the Group's historical experience and expert credit assessment including forward-looking information.

Multiple economic scenarios form the basis of determining the probability of default at initial recognition and at subsequent reporting dates. Different economic scenarios will lead to a different probability of default. It is the weighting of these different scenarios that forms the basis of a weighted average probability of default that is used to determine whether credit risk has significantly increased.

**3.9.1.4.2 Write-off**

Financial assets are written off when the Group has no reasonable expectations of recovering the financial asset (either in its entirety or a portion of it). This is the case when the Group determines that the borrower does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. A write-off constitutes a derecognition event.

**3.9.1.4.3 Presentation of allowance for ECL in the statement of financial position**

Loss allowances for ECL are presented in the statement of financial position for financial assets measured at amortised cost: as a deduction from the gross carrying amount of the assets.

**3.9.1.5 Derecognition**

**3.9.1.5.1 Financial assets**

The Group derecognizes financial assets only when the contractual rights to cash flows from the financial assets expire, or when it transfers the financial assets and substantially all the associated risks and rewards of ownership to another entity. Gains and losses on derecognition are generally recognized in profit or loss. However, gains and losses on derecognition of financial assets classified as FVTOCI remain within the accumulated other comprehensive (loss) income.

**3.9.1.5.2 Financial liabilities**

The Group derecognizes financial liabilities only when its obligations under the financial liabilities are discharged, cancelled or expired. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognized in profit or loss.

**3.9.1.8 Fair Values**

Fair values have been determined for measurement and/or disclosure purposes based on the following methods.

The Group characterizes inputs used in determining fair value using a hierarchy that prioritizes inputs depending on the degree to which they are observable. The three levels of the fair value hierarchy are as follows:

* **Level 1:** fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;

# NOTES TO THE GROUP FINANCIAL STATEMENTS
For the year ended 31 December 2020

- **Level 2:** fair value measurements are those derived from inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- **Level 3:** fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The carrying values of cash and cash equivalents, accounts receivable, and accounts payable and accrued liabilities approximated their fair values because of the short-term nature of these financial instruments.The carrying values of receivables, approximated their fair values because the carrying values represented the amounts that The Group would receive or pay if those financial instruments were to settle as of 31 December 2020.

The carrying value of unquoted securities was based on unobservable inputs in calculating the fair value. The value of the shares as at 31 December 2020 and was therefore considered to be Level 3.

### 3.9.1.9 Use of Judgements and Estimates

The preparation of the financial statements in accordance with IFRS requires the Group to make estimates and assumptions that affect the reported amounts of assets, liabilities, fund income and expenses and disclosure of contingent resources and contingent liabilities. Future events may occur which will cause the assumptions used in arriving at the estimates to change.

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. While the estimates are based on the most reliable data available, actual results, in the near term, could differ significantly from those estimates depending upon certain events and uncertainties, including:

**The timing and extent of losses the Group incurs as a result of future failures of**

- Balance disputes;
- Entities that are closed;
- The ability to recover its receivables;
- Expectations of the liquidation of entities; and
- The probability of recovery through successful lawsuits as appropriate against relevant parties.

The following are the critical judgements, apart from those involving estimations, that the directors have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in financial statements:

Business model assessment: Classification and measurement of financial assets depends on the results of the SPPI and them business model test. The Group determines the business model at a level that reflects how groups of financial assets are managed together to achieve a particular business objective. This assessment includes judgement reflecting all relevant evidence including how the performance of the assets is evaluated and their performance measured, the risks that affect the performance of the assets and how these are managed. The Group monitors financial assets measured at amortised cost or fair value through other comprehensive income that are derecognized prior to their maturity to understand the reason for their disposal and whether the reasons are consistent with the objective of the business for which the asset was held.

Monitoring is part of the Group's continuous assessment of whether the business model for which the remaining financial assets are held continues to be appropriate and if it is not appropriate whether there has been a change in business model and so a prospective change to the classification of those assets.

- Significant increase of credit risk: As explained in note above, ECL are measured as an allowance equal to 12-month ECL for stage1 assets, or lifetime ECL assets for stage 2 or stage 3 assets. An asset moves to stage 2 when its credit risk has increased significantly since initial recognition. IFRS 9 does not define what constitutes a significant increase in credit risk. In assessing whether the credit risk of an asset has significantly increased the Group considers qualitative and quantitative reasonable and supportable forward-looking information. Refer to note 1 and note 3 for more details.

- Establishing groups of assets with similar credit risk characteristics: When ECLs are measured on a collective basis; the financial instruments are grouped on the basis of shared risk characteristics. The Group monitors the appropriateness of the credit risk characteristics on an ongoing basis to assess whether they continue to be similar. This is required in order to ensure that should credit risk characteristics change there is appropriate re-segmentation of the assets. This may result in new portfolios being created or assets moving to an existing portfolio that better reflects the similar credit risk characteristics of that group of assets. Resegmentation of portfolios and movement between portfolios is more common when there is a significant increase in credit risk (or when that significant increase reverses) and so assets move from 12-month to lifetime ECLs, or vice versa, but it can also occur within portfolios that continue to be measured on the same basis of 12-month or lifetime ECLs but the amount of ECL changes because the credit risk of the portfolios differ.
Models and assumptions used: the Group uses various models and assumptions in measuring fair value of financial assets as well as in estimating ECL. Judgement is applied in identifying the most appropriate model for each type of asset, as well as for determining the assumptions used in these models, including assumptions that relate to key drivers of credit risk.

1. **Trade receivables**
In coming up with the ECL on financial assets, management considered the nature of the Group's debtors, the historical performance of the debtors, and current and forward-looking information. The general approach as permitted by IFRS 9 was used in computing ECL on trade debtors.

2. **Staff Receivables**
Staff loans are not collateralized, which has the effect of increasing the ECL on the loans. In computing probabilities of default, management decided to make use of RBZ default rates on personal loans and staff turnover ratios for the entity. Staff debtors are however considered to be low risk as the repayments are deducted at source.



#### 3.9.1.10 Income

**Interest Income**

Interest income for all financial instruments except for those designated as at FVTPL is recognised as 'Interest income' in the profit or loss account using the effective interest method. Interest on financial instruments measured as at FVTPL is included within the fair value movement during the period.

The effective interest rate (EIR) is the rate that exactly discounts estimated future cash flows of the financial instrument through the expected life of the financial instrument or, where appropriate, a shorter period, to the net carrying amount of the financial asset or financial liability. The future cash flows are estimated considering all the contractual terms of the instrument. The calculation of the EIR includes all fees and points paid or received between parties to the contract that are incremental and directly attributable to the specific lending arrangement, transaction costs, and all other premiums or discounts. For financial assets at FVTPL transaction costs are recognised in profit or loss at initial recognition.

The interest income is calculated by applying the EIR to the gross carrying amount of non-credit impaired financial assets (i.e. at the amortised cost of the financial asset before adjusting for any expected credit loss allowance), or to the amortised cost of financial liabilities. For credit-impaired financial assets the interest income is calculated by applying the EIR to the amortised cost of the credit-impaired financial assets (i.e. the gross carrying amount less the allowance for expected credit losses (ECLs)). For financial assets originated or purchased credit-impaired (POCI) the EIR reflects the ECLs in determining the future cash flows expected to be received from the financial asset.

**Income from financial instruments at FVTPL**

Income from financial instruments at FVTPL includes all gains and losses from changes in the fair value of financial assets and financial liabilities at FVTPL. The Group has elected to present the full fair value movement of assets and liabilities at FVTPL, including the related interest income, expense and dividends.

## 4. NEW AND AMENDED STANDARDS

### 4.1 STANDARDS IN ISSUE BUT NOT YET EFFECTIVE

The new and amended standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Group's financial statements are disclosed below. The Group intends to adopt these standards, if applicable, when they become effective.

**IFRS 17 Insurance contracts**

In May 2017, the IASB issued IFRS 17 Insurance Contracts (IFRS 17), a comprehensive new accounting standard for insurance contracts, covering recognition and measurement, presentation and disclosure. Once effective, IFRS 17 will replace IFRS 4 Insurance Contracts (IFRS 4). IFRS 17 applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary

## NOTES TO THE GROUP FINANCIAL STATEMENTS
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participation features. IFRS 17 is effective for reporting periods beginning on or after 1 January 2023, with comparative figures required. This standard is not applicable to the Group.

**Amendments to IAS 1:** ***Classification of Liabilities as Current or Non-current***

In January 2020, the IASB issued amendments to paragraphs 69 to 76 of IAS 1 to specify the requirements for classifying liabilities as current or non-current. The amendments clarify:

- What is meant by a right to defer settlement
- That a right to defer must exist at the end of the reporting period
- That classification is unaffected by the likelihood that an entity will exercise its deferral right
- That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification.

The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and must be applied retrospectively. The Group is currently assessing the impact the amendments will have on current practice and whether existing loan agreements may require renegotiation.

**Property, Plant and Equipment: Proceeds before Intended Use – Amendments to IAS 16**

In May 2020, the IASB issued Property, Plant and Equipment — Proceeds before Intended Use, which prohibits entities deducting from the cost of an item of property, plant and equipment, any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling such items, and the costs of producing those items, in profit or loss.

The amendment is effective for annual reporting periods beginning on or after 1 January 2022 and must be applied retrospectively to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented when the entity first applies the amendment. The amendments are not expected to have a material impact on the Group.

**IFRS 9 Financial Instruments – Fees in the '10 per cent' test for derecognition of financial liabilities**

As part of its 2018-2020 annual improvements to IFRS standards process the IASB issued amendment to IFRS 9. The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. An entity applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment.

The amendment is effective for annual reporting periods beginning on or after 1 January 2022 with earlier adoption permitted. The Group will apply the amendments to financial liabilities that are modified or exchanged on or after the beginning

of the annual reporting period in which the entity first applies the amendment. The amendments are not expected to have a material impact on the Group.

**4.2 Early adoption of issued but not yet effective standards**

The Group did not opt to adopt early the various standards and interpretations that are in issue but not yet effective, as such they do not have an impact on the disclosures herein contained. The Group is currently assessing the impact of the standards yet to be effective.

## 5. CRITICAL JUDGMENTS AND KEY SOURCES OF ESTIMATION IN APPLYING ZAMCO'S ACCOUNTING POLICIES

In the process of applying the Group's accounting policies, the Directors have made the following judgments and estimations that have a significant effect on the amounts recognised in the financial statements.

**5.1 Property and equipment values, useful lives, residual values and depreciation rates**

The Group's property and equipment are depreciated using depreciation rates, useful lives and residual values estimated by the Directors.

***i. Useful lives and residual values of property, plant and equipment***

The Group assesses useful lives and residual values of property, plant and equipment each year taking into consideration past experience, technology changes and the local operating environment. Refer to Note 21 and accounting policy note for more information on property plant and equipment.

***ii. Revaluation of property and fair value of investment properties***

The Group carries its investment properties at fair value, with changes in fair value being recognised in profit or loss. In addition, it measures property, plant and equipment at revalued amounts with changes in fair value being recognised in other comprehensive income. The Group engaged independent valuation specialists to determine fair values on entire properties held by the Group as at 31 December 2020. For the investment property, the valuer used a valuation technique based on future rentals and or comparable values. The determined fair value of the investment properties is most sensitive to the estimated yield as well as the long-term vacancy rate.

**5.2 Going concern**

The Group's management has made an assessment of its ability to continue as a going concern and is satisfied that the entity has the resources to continue in business for the foreseeable future. Therefore, the financial statements continue to be prepared on the going concern basis.

**5.3 Fair value of financial instruments**

Where the fair values of financial assets and financial liabilities recorded on the statement of financial position cannot be derived from active markets, they are determined using a variety of valuation techniques that include the use of mathematical models. The inputs to these models are derived from observable market data where possible, but where observable market data are not available, judgment is required to establish

fair values. The judgments include considerations of liquidity and model inputs such as discount rates, prepayment rates, time to maturity and default rate assumptions for debt securities

**5.4 Impairment of financial assets**

In assessing impairment, the Group classifies its financial instruments according to the likelihood of default, with classes ranging from stage 1 (initial recognition and up-to date accounts), stage 2 (accounts with increased credit risk) to stage 3 (accounts in default). Mathematical models incorporating probabilities of default, exposure at default, loss given defaults and recovery rates are employed to determine the expected credit losses which become the impairment provisions.

## 6 INCOME AND EXPENDITURE

### 6.1 Interest revenue calculated using the effective interest rate method:

| | Inflation Adjusted | | Historical (Unaudited) | |
|---|---|---|---|---|
| | 2020 | 2019 | 2020 | 2019 |
| | ZWL | ZWL | ZWL | ZWL |
| Interest Income | 161,082,180 | 1,058,019,901 | 87,764,942 | 80,714,522 |
| Preference Share Coupon | 5,693,302 | 56,123,212 | 2,268,701 | 3,631,405 |
| Money Market Investment Income | 29,038,443 | 40,840,690 | 22,066,731 | 3,571,322 |
| | **195,813,925** | **1,154,983,801** | **112,100,375** | **87,917,249** |

Interest Income is interest earned on Loans acquired and restructured, with rates ranging between 5-10%.

**Fee Income**

| | Inflation Adjusted | | Historical (Unaudited) | |
|---|---|---|---|---|
| | 2020 | 2019 | 2020 | 2019 |
| | ZWL | ZWL | ZWL | ZWL |
| Facility Fees Income | 1,538,922 | 14,472,429 | 777,838 | 1,389,689 |
| Discount on loan acquisitions | 23,407,188 | - | 23,407,188 | - |
| | **24,946,110** | **14,472,429** | **24,185,026** | **1,389,689** |

Facility fees are charged at 1% of restructured loan on commencement of facility.

# NOTES TO THE GROUP FINANCIAL STATEMENTS
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### 6.2 Interest expense calculated using the effective interest rate method:

| | Inflation Adjusted | | Historical (Unaudited) | |
|---|---|---|---|---|
| | 2020 | 2019 | 2020 | 2019 |
| | ZWL | ZWL | ZWL | ZWL |
| Interest Expense | 107,527,429 | 732,616,895 | 52,750,523 | 50,665,219 |
| Interest on PTA/Facility | 3,775,365 | 35,034,601 | 1,779,012 | 2,302,041 |
| | **111,302,794** | **767,651,496** | **54,529,535** | **52,967,260** |

Interest expense consists mainly of interest on Treasury Bills issued for loan acquisitions, which carry a coupon of 5% p.a. payable semi-annually. The PTA facility charges interest at 8.25% p.a. No new loans were acquired in 2020, as such no new interest bearing treasury bills were issued.

### 6.3 Commission expense

| | Inflation Adjusted | | Historical (Unaudited) | |
|---|---|---|---|---|
| | 2020 | 2019 | 2020 | 2019 |
| | ZWL | ZWL | ZWL | ZWL |
| **Commission expense** | **574,993** | **1,179,313** | **573,559** | **96,897** |

Commission expense relates to amounts paid to entities that collect from debtors on behalf of ZAMCO.

### 6.4 Other income

| | Inflation Adjusted | | Historical (Unaudited) | |
|---|---|---|---|---|
| | 2020 | 2019 | 2020 | 2019 |
| | ZWL | ZWL | ZWL | ZWL |
| Rental Income | 380,316 | 9,797,416 | 186,000 | 201,500 |
| Mark to Market Gain | 152,909,681 | (620,681) | 70,965,016 | (344,699) |
| Dividend income | 876,469 | 120,730 | 819,178 | 26,912 |
| Foreign currency exchange differences | 12,516 | - | 45,367 | - |
| Sundry Income | 485,488 | 16,892,978 | 274,627 | 3,557,668 |
| | **154,664,470** | **26,190,443** | **72,290,188** | **3,441,381** |

Other income refers to rental income from operating leases on Group properties, mark to market gain on local shares portfolio, as well as income from non-lending activities.

## NOTES TO THE GROUP FINANCIAL STATEMENTS
For the year ended 31 December 2020

### 6.5 Operating expenses

| | Inflation Adjusted | | Historical (Unaudited) | |
|---|---|---|---|---|
| | 2020 | 2019 | 2020 | 2019 |
| | ZWL | ZWL | ZWL | ZWL |
| Total operating expenses | 170,540,635 | 224,077,083 | 129,632,018 | 21,747,143 |
| Included are: | | | | |
| Employment costs | 104,998,730 | 59,545,140 | 82,487,256 | 5,841,000 |
| Administration costs | 49,049,404 | 54,013,621 | 33,992,306 | 5,881,011 |
| Negotiated settlements costs | 16,492,501 | 110,518,321 | 13,152,456 | 10,025,132 |

The negotiated settlement costs refer to residual balances written off on resolution and final settlement of negotiated accounts

### 6.6 Taxation

The parent company is not subject to income or capital gains tax in accordance with Section 14 as read with the Third Schedule of the Income Tax Act [Chapter 23;06].

## 7 Expected credit loss

| | Inflation Adjusted | | Historical (Unaudited) | |
|---|---|---|---|---|
| | 2020 | 2019 | 2020 | 2019 |
| | ZWL | ZWL | ZWL | ZWL |
| Opening balance 1 January | 1,072,579,722 | 9,766,291,984 | 239,092,747 | 350,501,492 |
| Closing balance 31 December | (146,809,163) | (1,072,579,722) | (146,809,163) | (239,092,747) |
| Monetary loss | (833,486,975) | (8,193,928,056) | - | - |
| **(Reversal)/Allowance for the year** | **(92,283,584)** | **(499,784,154)** | **(92,283,584)** | **(111,408,745)** |

**Expected Credit Loss:**

| | Inflation Adjusted | | Historical (Unaudited) | |
|---|---|---|---|---|
| | 2020 | 2019 | 2020 | 2019 |
| | ZWL | ZWL | ZWL | ZWL |
| Loans and advances | 143,853,083 | 903,154,876 | 143,853,083 | 201,325,613 |
| Debt asset conversion assets | - | 555,959 | - | 123,931 |
| Preference shares | 2,956,080 | 168,868,937 | 2,956,080 | 37,643,203 |
| | **146,809,163** | **1,072,579,772** | **146,809,163** | **239,092,747** |

In accordance with its mandate and the Banking Amendment Act 2015, the Group purchases non-performing loans from banks. On acquisition, these non-performing loans are impaired in the books of selling Banks and they carry the same state when they move to the Group.

The changes in impairment are mainly attributable to repayments from the agricultural portfolio, which had been greatly impaired from prior periods. The group conducted a thorough examination of all financial assets in accordance with the provisions of IFRS 9 and this resulted in an impairment allowance reversal of ZWL92,283,584. Interest income has since been suspended on accounts that have been assessed as impaired.

## 8 CASH AND BANK BALANCES

| | Inflation Adjusted | | Historical (Unaudited) | |
|---|---|---|---|---|
| | 2020 | 2019 | 2020 | 2019 |
| | ZWL | ZWL | ZWL | ZWL |
| Short term investments | 130,174,874 | 410,820,249 | 130,174,874 | 91,577,471 |
| Bank balances | 72,328,327 | 379,154,823 | 72,328,327 | 100,137,814 |
| Cash at hand | 10,904,979 | 480 | 10,904,979 | 107 |
| | **213,408,180** | **789,975,552** | **213,408,180** | **191,715,392** |

Cash and Bank Balances comprise cash on hand, demand deposits with local banks and short term investments. Short term investments earn interest at rates between 5 – 25% p.a.

In the Statement of Cash flows, cash and cash equivalents comprise of the following as at 31 December 2020:

| | Inflation Adjusted | | Historical (Unaudited) | |
|---|---|---|---|---|
| | 2020 | 2019 | 2020 | 2019 |
| | ZWL | ZWL | ZWL | ZWL |
| Short term investments | 130,174,874 | 410,820,249 | 130,174,874 | 91,577,471 |
| Bank balances | 72,328,327 | 379,154,823 | 72,328,327 | 100,137,814 |
| Cash at hand | 10,904,979 | 480 | 10,904,979 | 107 |
| Cash and short term deposits attributable to discontinued operations | 207,676,008 | - | 231,620,224 | - |
| | **421,084,188** | **789,975,552** | **445,028,404** | **191,715,392** |

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# 9. RECEIVABLES

### 9.1 TRADE RECEIVABLES

Other receivables include rent receivables and prepayments for operating expenses

| | Inflation Adjusted | | Historical (Unaudited) | |
|---|---|---|---|---|
| | 2020 | 2019 | 2020 | 2019 |
| | ZWL | ZWL | ZWL | ZWL |
| Trade receivables | - | 212,054,651 | - | 69,445,014 |
| Impairment | - | (8,500,191) | - | (2,783,697) |
| | **-** | **203,554,460** | **-** | **66,661,317** |

### 9.2 OTHER RECEIVABLES

| | Inflation Adjusted | | Historical (Unaudited) | |
|---|---|---|---|---|
| | 2020 | 2019 | 2020 | 2019 |
| | ZWL | ZWL | ZWL | ZWL |
| Prepayments & Deposits | - | 102,672,195 | - | 24,935,786 |
| Receivables from Assets | - | 195,277 | - | 63,950 |
| Value Added Tax | - | 22,149,866 | - | 7,253,780 |
| Sundry receivables | 9,811,878 | 12,580,240 | 6,421,404 | 2,810,942 |
| | **9,811,878** | **137,597,578** | **6,421,404** | **35,064,458** |

# 10 LOANS, ADVANCES, DEBT CONVERSION AND PREFERENCE SHARES

### 10.1 LOANS AND ADVANCES

| | Inflation Adjusted | | Historical (Unaudited) | |
|---|---|---|---|---|
| | 2020 | 2019 | 2020 | 2019 |
| | ZWL | ZWL | ZWL | ZWL |
| Loans and advances | 419,623,588 | 3,771,916,387 | 419,623,588 | 840,811,913 |
| Impairment allowance | (143,853,083) | (903,118,557) | (143,853,083) | (201,317,517) |
| | **275,770,505** | **2,868,797,830** | **275,770,505** | **639,494,396** |

During the year, there were no acquisitions of NPLs.

# NOTES TO THE GROUP FINANCIAL STATEMENTS
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## 10.2 DEBT ASSET CONVERSION ASSETS

| | Inflation Adjusted | | Historical (Unaudited) | |
|---|---|---|---|---|
| | 2020 | 2019 | 2020 | 2019 |
| | ZWL | ZWL | ZWL | ZWL |
| Debt-asset conversion assets | 35,466,994 | 170,201,592 | 35,466,994 | 37,940,270 |
| Impairment allowance | - | (555,964) | - | (123,932) |
| | **35,466,994** | **169,645,628** | **35,466,994** | **37,816,338** |

Debt asset conversion assets refer to loans that have been resolved through debt asset conversions. These assets are at various stages of conveyancing. The Group will recognise these assets as investment property once control of the asset is exercisable.

## 10.3 PREFERENCE SHARES HELD

| | Inflation Adjusted | | Historical (Unaudited) | |
|---|---|---|---|---|
| | 2020 | 2019 | 2020 | 2019 |
| | ZWL | ZWL | ZWL | ZWL |
| Preference Shares | 6,320,443 | 179,856,776 | 6,320,443 | 40,092,543 |
| Impairment allowance | (2,956,080) | (168,868,933) | (2,956,080) | (37,643,202) |
| | **3,364,363** | **10,987,843** | **3,364,363** | **2,449,341** |

The preference shares are held in entities whose debts, owing to the Group, were converted on restructuring. These are redeemable preference shares, paying a semi-annual coupon at a fixed rate.

## 10.4 FINANCIAL ASSETS GROSS CARRYING AMOUNTS

### STAGE 1

| | Inflation Adjusted | | Historical (Unaudited) | |
|---|---|---|---|---|
| | 2020 | 2019 | 2020 | 2019 |
| | ZWL | ZWL | ZWL | ZWL |
| Loans and Advances | 31,824,135 | 10,919,103 | 31,824,135 | 2,434,040 |
| | **31,824,135** | **10,919,103** | **31,824,135** | **2,434,040** |

# NOTES TO THE GROUP FINANCIAL STATEMENTS
For the year ended 31 December 2020

## STAGE 3 (PURCHASED OR ORIGINATED CREDIT IMPAIRED)

| | Inflation Adjusted | | Historical (Unaudited) | |
|---|---|---|---|---|
| | 2020 | 2019 | 2020 | 2019 |
| | ZWL | ZWL | ZWL | ZWL |
| Loans and Advances | 387,799,453 | 3,760,997,284 | 387,799,453 | 838,377,873 |
| Debt Asset swaps | 35,466,994 | 170,201,592 | 35,466,994 | 37,940,270 |
| Preference shares | 6,320,443 | 179,856,776 | 6,320,443 | 40,092,543 |
| | **429,586,890** | **4,111,055,652** | **429,586,890** | **916,410,686** |

## 10.5 IMPACT OF COVID -19 ON IMPAIRMENT OF FINANCIAL ASSETS

| Financial Asset | Covid-19 Impact on ECL |
|---|---|
| | |
| Loans and advances | Low to moderate impact. Clients may experience challenges in servicing their obligations due to the increasingly difficult economic environment as a result of Covid-19 containment measures. |
| Preference shares | Low impact |
| Debt Asset Swaps | No impact |

After an assessment of the impact of Covid-19 disease on the group's financial assets, the ECL models being used were deemed sufficient in capturing all relevant inputs and no changes were effected thereto. There were no movements between categories of ECLs as a result of the Covid-19 pandemic. The Group did not offer any payment holidays to clients resulting from the Covid-19 pandemic

# NOTES TO THE GROUP FINANCIAL STATEMENTS
For the year ended 31 December 2020

## 10.6 EXPECTED CREDIT LOSSES (ECL) ON FINANCIAL INSTRUMENTS

The table shows ECL charges on financial instruments:

INFLATION ADJUSTED

| | Stage 1 | | Stage 2 | | Stage 3 | | Total | |
|---|---|---|---|---|---|---|---|---|
| | 31 Dec 20 | 31 Dec 19 | 31 Dec 20 | 31 Dec 19 | 31 Dec 20 | 31 Dec 19 | 31 Dec 20 | 31 Dec 19 |
| Loans and Advances | 2,848 | 36,314 | - | - | 143,853,235 | 903,118,555 | 143,853,083 | 903,154,823 |
| Debt Asset Swaps | - | - | - | - | - | 555,965 | - | 555,965 |
| Preference shares | - | - | - | - | 2,956,080 | 168,868,934 | 2,956,080 | 168,868,934 |
| **Total** | **2,848** | **36,314** | **-** | **-** | **146,809,315** | **1,072,543,454** | **146,809,163** | **1,072,579,722** |

HISTORICAL (UNAUDITED)

| | Level 1 | | Level 2 | | Level 3 | | Total Carrying Amount | |
|---|---|---|---|---|---|---|---|---|
| | 31 Dec 20 | 31 Dec 19 | 31 Dec 20 | 31 Dec 19 | 31 Dec 20 | 31 Dec 19 | 31 Dec 20 | 31 Dec 19 |
| Loans and Advances | 2,848 | 8,096 | - | - | 143,853,235 | z201,309,421 | 143,853,083 | 201,317,517 |
| Debt Asset Swaps | - | - | - | - | - | 123,932 | - | 123,932 |
| Preference shares | - | - | - | - | 2,956,080 | 37,643,202 | 2,956,080 | 37,643,202 |
| **Total** | **2,848** | **8,096** | **-** | **-** | **146,809,315** | **239,076,555** | **146,809,163** | **239,084,651** |

* There were no movements between categories during the year.

## 11 LOCAL SHARES

| | Inflation Adjusted | | Historical (Unaudited) | |
|---|---|---|---|---|
| | 2020 | 2019 | 2020 | 2019 |
| | ZWL | ZWL | ZWL | ZWL |
| Local Shares held | 85,626,723 | 65,773,009 | 85,626,723 | 14,661,706 |

Local shares are equity investments in publicly traded stocks, which are carried at fair value through profit and loss. The percentage shareholdings are less than 10% per stock.

## 12. FINANCIAL SECURITIES

| | Inflation Adjusted | | Historical (Unaudited) | |
|---|---|---|---|---|
| | 2020 | 2019 | 2020 | 2019 |
| | ZWL | ZWL | ZWL | ZWL |
| Financial securities | 75,046,698 | 263,966,063 | 75,046,698 | 58,841,657 |

# NOTES TO THE GROUP FINANCIAL STATEMENTS
For the year ended 31 December 2020

Included in financial securities are ZWL38m Treasury bills received from the Government of Zimbabwe as security on the IDBZ facility. Also included are Treasury bills received from various clients as loan repayments.

## 13. ASSETS UNDER DEVELOPMENT

| | Inflation Adjusted | | Historical (Unaudited) | |
|---|---|---|---|---|
| | 2020 | 2019 | 2020 | 2019 |
| | ZWL | ZWL | ZWL | ZWL |
| Assets under development | - | 168,689 | - | 37,603 |

Assets under development refer to items of equipment procured for the establishment of a Data Disaster Recovery site. The equipment was yet to be deployed by 31 December 2019 since the suppliers had not delivered all items. The assets were commissioned during the year.

## 14. DISCONTINUED OPERATIONS

The ZAMCO Board approved the sale of Star Africa Corporation on 30 September 2020, following discussions that had been ongoing since the meeting of 30 June 2020. On 13 November 2020, ZAMCO called for bids through a publication in the Government Gazette. The Tender closed on 18 December 2020 with seven valid submissions. The financial information from the Tender, with bid prices, was opened on 29 December 2020. After the processes outlined above, the sale of Star Africa was deemed highly probable and ZAMCO expected the sale to be completed within a period of 12 months from the reporting date. The Group classified Star Africa as a disposal group held for sale and as a discontinued operation with effect from 29 December 2020. Star Africa's business represents the Group's entire business in sugar and sugar related products refinery and sales. The results of Star Africa Corporation for the year ended 31 December 2020 are presented below:

# NOTES TO THE GROUP FINANCIAL STATEMENTS
For the year ended 31 December 2020

| | Notes | Inflation Adjusted | | Historical (Unaudited) | |
|---|---|---|---|---|---|
| | | 2020 | 2019 | 2020 | 2019 |
| | | ZWL | ZWL | ZWL | ZWL |
| Revenue from contracts with customers | | 4,555,995,999 | 3,682,260,090 | 3,832,897,652 | 595,325,692 |
| Cost of sales | | (3,695,286,340) | (2,770,776,136) | (3,151,429,633) | (446,385,273) |
| Gross Profit | | 860,709,659 | 911,483,954 | 681,468,019 | 148,940,419 |
| Other Income | | 91,448,000 | 30,575,373 | 57,927,429 | 6,906,915 |
| Operating Costs | | (462,812,690) | (343,385,072) | (395,927,521) | (53,465,530) |
| Profit for the year before impairment of financial assets | | 489,344,969 | 598,674,255 | 343,467,927 | 102,381,808 |
| Financial Assets Impairment reversal | | (22,424,959) | - | (19,984,609) | - |
| Share of profit of associate | | 62,335,126 | 35,256,963 | 69,522,118 | 11,546,176 |
| Exchange loss on foreign payments | | (180,450,981) | (451,831,789) | (200,605,081) | (143,715,312) |
| Finance Costs | | (53,983,170) | (76,227,592) | (45,069,322) | (10,464,571) |
| Investment property fair value adjustments | | (47,909,841) | 165,938,519 | 376,720,415 | 83,470,662 |
| Loans Restructuring | | 110,149,309 | - | 139,088,505 | - |
| Net Monetary (loss)/gain | | (146,414,544) | 272,943,411 | - | - |
| Impairment loss recognised on the remeasurement to fair value less costs to sell | | (1,052,061,228) | - | (84,397,291) | - |
| Profit before tax | | (841,415,319) | 544,753,764 | 578,742,662 | 43,218,759 |
| Income tax | | (112,319,478) | (183,034,302) | (127,715,585) | (15,860,589) |
| Profit for the year | | (953,734,797) | 361,719,465 | 451,027,077 | 27,358,170 |
| Other comprehensive income Property revaluation net of tax | | 84,173,977 | 327,874,099 | 569,336,533 | 143,621,304 |
| **(Loss)/Profit from discontinued operations** | | **(869,560,820)** | **689,593,564** | **1,020,363,610** | **170,979,474** |

# NOTES TO THE GROUP FINANCIAL STATEMENTS
For the year ended 31 December 2020

## 14. DISCONTINUED OPERATIONS (Continued)

The summary below represents the major classes of assets and liabilities of Star Africa Corporation as at 31 December 2020.

| | RESTATED | HISTORICAL (UNAUDITED) |
|---|---|---|
| | **2020** | **2020** |
| | **ZWL** | **ZWL** |
| **ASSETS** | | |
| Cash and cash equivalents | 207,676,009 | 231,620,225 |
| Trade and other receivables | 253,528,093 | 278,037,166 |
| Property plant and equipment | 701,532,202 | 577,332,003 |
| Investment property | 432,405,381 | 482,260,000 |
| Investment in associate | 117,151,863 | 128,736,436 |
| Inventories | 284,092,383 | 306,258,158 |
| | 1,996,385,931 | 2,004,233,988 |
| **LIABILITIES** | | |
| Trade and other payables | 453,511,248 | 505,799,291 |
| Loans and borrowings | 1,203,539 | 1,342,302 |
| Income tax payable | 16,034,789 | 17,883,536 |
| Deferred tax liability | 246,772,607 | 200,345,112 |
| | **717,522,183** | **725,370,241** |
| **Net Assets directly associated with disposal group** | **1,278,863,748** | **1,278,863,748** |

The net cashflows for Star Africa Corporation are as follows:

| | RESTATED | HISTORICAL(UNAUDITED) |
|---|---|---|
| | **2020** | **2020** |
| | **ZWL** | **ZWL** |
| Operating | 333,979,755 | (6,824,138) |
| Profit before tax | (841,415,319) | 578,742,662 |
| Movement in other operating activities | 1,175,395,074 | (585,566,800) |
| Investing | 76,730,546 | 76,050,540 |
| Financing | (69,618,254) | (63,971,488) |
| **Net Cash inflow** | **341,092,047** | **5,254,914** |

# NOTES TO THE GROUP FINANCIAL STATEMENTS
For the year ended 31 December 2020

## 14. DISCONTINUED OPERATIONS (Continued)

### Reserves associated with the disposal group

| | RESTATED | HISTORICAL (UNAUDITED) |
|---|---|---|
| | 2020 | 2020 |
| | ZWL | ZWL |
| Reserves associated with the disposal group | **236,525,250** | **422,281,868** |

The disposal group was measured at the lower of its carrying amount and fair value less cost to sell. The fair value for Star Africa as at the reporting date was ZWL0.27 per share on the Zimbabwe Stock Exchange. The fair value less cost to sell was lower than the carrying amount which resulted in an impairment (to the parent) of ZWL1 billion and 63 million for inflation adjusted and historical cost respectively.

| | RESTATED | HISTORICAL (UNAUDITED) |
|---|---|---|
| | 2020 | 2020 |
| | ZWL | ZWL |
| <u>ASSETS</u> | | |
| Net Assets | 1,373,802,456 | 1,328,910,969 |
| Grossed up Goodwill | 1,667,392,780 | 59,840,895 |
| Fair value | (1,298,338,830) | (1,298,338,830) |
| Estimated Cost to sale | 19,475,082 | 19,475,082 |
| Impairment | **1,762,331,488** | **109,888,116** |
| | | |
| Impairment allocation to Parent | 1,011,619,564 | 63,078,353 |
| Impairment allocation to NCI (net of goodwill) | 40,441,665 | 21,318,944 |
| Total impairment charged to income statement | **1,052,061,229** | **84,397,297** |

Impairment was allocated to goodwill first, then the balance was allocated to assets on a pro-rata basis using carrying amount at end of period. Impairment was allocated to assets that are not valued at fair value/revaluation as at reporting date as follows:

| | RESTATED | HISTORICAL (UNAUDITED) |
|---|---|---|

## NOTES TO THE GROUP FINANCIAL STATEMENTS
For the year ended 31 December 2020

| | 2020 | 2020 |
|---|---|---|
| | ZWL | ZWL |
| **ASSET** | | |
| Goodwill | 957,122,521 | 34,350,076 |
| Property plant and equipment | 61,553,086 | 10,889,800 |
| Investment in associate | 33,385,622 | 39,157,421 |
| **Total impairment charge** | **1,052,061,229** | **84,397,297** |

## 15. INVENTORIES

| | Inflation Adjusted | | Historical (Unaudited) | |
|---|---|---|---|---|
| | 2020 | 2019 | 2020 | 2019 |
| | ZWL | ZWL | ZWL | ZWL |
| Raw materials | - | 173,950,118 | - | 52,989,777 |
| Work-in-progress | - | 31,916,053 | - | 10,452,073 |
| Finished products/wholesale merchandise | - | 142,109,122 | - | 43,156,059 |
| Consumables | - | 21,411,248 | - | 5,905,704 |
| Land developments | 1,588,723,159 | 72,003,612 | 999,685,787 | 8,589,034 |
| | **1,588,723,159** | **441,390,153** | **999,685,787** | **121,092,647** |

Total inventories valued at the lower of cost and net realisable value relates to the, raw materials, work-in-progress, finished goods, consumables as well as cost of a land development project currently being undertaken by the Group. Three land development projects, namely Goodhope (Harare), Dulibadzimu (Beitbridge) and Sunninghill (Bulawayo), were commenced by the Group with Goodhope being complete and ready for the market. In accordance with IAS 2, the value incorporates the initial cost of acquiring the land.

## 16. INVESTMENT IN ASSOCIATE

The Group has a 33.33% interest in Tongaat Hulett (Botswana) (Proprietary) Limited (formerly Sugar Industries (Pty) Limited) through the subsidiary, Star Africa. Tongaat Hulett (Botswana) (Proprietary) Limited is a private entity that is not listed on any public exchange. The associate has been included in the discontinued operation.

Below is the summarised financial information of the Group's investment in Tongaat Hulett (Botswana) (Proprietary) Limited

| | Inflation Adjusted | | Historical (Unaudited) | |
|---|---|---|---|---|
| | 2020 | 2019 | 2020 | 2019 |
| | ZWL | ZWL | ZWL | ZWL |
| Associate's statement of financial position | | | | |
| Non-current assets | - | 60,061,276 | - | 19,669,251 |
| Current assets | - | 505,223,215 | - | 165,453,732 |
| Current liabilities | - | (101,947,867) | - | (33,386,540) |
| Non-current liabilities | - | (7,212,449) | - | (2,361,979) |
| **Net assets** | **-** | **456,124,174** | **-** | **149,374,464** |
| **Share of Associate's net assets** | **-** | **152,041,391** | **-** | **49,791,488** |

# NOTES TO THE GROUP FINANCIAL STATEMENTS

For the year ended 31 December 2020

| | Inflation Adjusted | | Historical (Unaudited) | |
|---|---|---|---|---|
| | 2020 | 2019 | 2020 | 2019 |
| | ZWL | ZWL | ZWL | ZWL |
| **Statement of comprehensive income** | | | | |
| Revenue | - | 930,598,299 | - | 304,758,287 |
| Costs of sales | - | (749,396,875) | - | (245,417,285) |
| Administrative expenses | - | (46,150,069) | - | (15,113,520) |
| Finance costs | - | 617,116 | - | 202,097 |
| **Profit before tax** | | **135,668,470** | | **44,429,579** |
| Income tax expense | - | (29,897,580) | - | (9,791,051) |
| **Profit for the year** | | **105,770,890** | | **34,638,528** |
| **Total comprehensive income** | **-** | **105,770,890** | **-** | **34,638,528** |
| Group's share of Total comprehensive income for the year | - | 35,256,963 | - | 11,546,176 |
| Dividend received from associate | - | 73,337,308 | - | 13,771,552 |
| **Reconciliation of investment in associate** | | | | |
| Balance as at 1 January | - | 130,918,804 | - | 5,522,233 |
| Share of profits | - | 35,256,963 | - | 11,546,176 |
| Dividend received | - | (73,337,308) | - | (13,771,552) |
| Effects of changes in exchange rates | - | 141,974,235 | - | 46,494,631 |
| Monetary loss | - | (82,771,303) | - | - |
| **Balance as at 31 December** | **-** | **152,041,391** | **-** | **49,791,488** |



## 17. INVESTMENT PROPERTY

| | Inflation Adjusted | | Historical (Unaudited) | |
|---|---|---|---|---|
| | 2020 | 2019 | 2020 | 2019 |
| | ZWL | ZWL | ZWL | ZWL |
| Opening balance | 2,628,991,137 | 1,357,478,288 | 586,038,194 | 48,718,334 |
| Additions during the period | 26,727,713 | 393,376,084 | 22,165,526 | 87,689,366 |
| Fair value adjustments | 637,965,313 | 878,136,765 | 2,274,449,149 | 449,630,494 |
| Transfer to Assets held for sale | (432,405,381) | - | (482,260,000) | - |
| Disposals and reallocations | (1,142,990,874) | - | (682,104,961) | - |
| | **1,718,287,908** | **2,628,991,137** | **1,718,287,908** | **586,038,194** |

The carrying amount of investment properties is the fair value of the properties as determined by registered independent valuers who possess appropriate recognised professional qualifications and recent experience in the category and location being valued. The valuation was carried out in accordance with International Valuation Standards and the Royal Institute of Chartered Surveyors Appraisal and Valuation Manual. Fair values were determined with regard to recent market transactions for similar properties in the same location as the Group's investment properties and also potential rental yields applicable to similar property. The properties were valued as at 31 December 2020.

ZAMCO characterizes inputs used in determining fair value using a hierarchy that prioritizes inputs depending on the degree to which they are observable. The three levels of the fair value hierarchy are as follows:

* Level 1: fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;
* Level 2: fair value measurements are those derived from inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
* Level 3: fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

There were no transfers between levels 1, 2 and 3 during the year.

The group applied the following Significant Unobservable Inputs in arriving at Level 3 fair values:

Investment Properties i.e. Hotels – monthly profits and capitalization rate.
Other investments Properties – rental value per square metre and capitalization rate.
Land and Residential – land rate/ sqm and the Main Space Equivalent (MSE).

# NOTES TO THE GROUP FINANCIAL STATEMENTS
For the year ended 31 December 2020

| PROPERTY TYPE | VALUATION | SIGNIFICANT UNOBSERVABLE INPUTS | RANGE |
|---|---|---|---|
| RESIDENTIAL | Comparable Method | Main Space Equivalent (MSE) | ZWL40,893.30-81,786.6 (2020: ZWL164.00-204.00) |
| COMMERCIAL | Implicit Investments / Profits Method/ Capitalization Rate | Estimated Rental value per sqm & capitalization rate | ZWL202,421.84 - 597,451.11(2020: ZWL188.11-613.40) |
| INDUSTRIAL | Implicit Investments / Capitalization Rate | Estimated Rental value per sqm & Capitalization rate. | ZWL202,421.84 - 597,451.11(2020: ZWL164-245) |
| LAND/STANDS | Comparable Method | Land rate/ sqm | Price per/sqm ZWL408.00-2994.00 |
| AGRICULTURE | Comparable Method | Land rate/ sqm | Price per/sqm ZWL12-335 |

Revenue and expenses relating to investment property:

| | Inflation Adjusted | | Historical (Unaudited) | |
|---|---|---|---|---|
| | 2020 | 2019 | 2020 | 2019 |
| | ZWL | ZWL | ZWL | ZWL |
| Rental Income | - | - | - | - |
| Operating expenses | 330,083 | - | 311,440 | - |

There were no transfers between levels 1, 2 and 3 during the year.

## 17.1 SENSITIVITY ANALYSIS PER SIGNIFICANT UNOBSERVABLE INPUT

| | Inflation Adjusted | Inflation Adjusted | |
|---|---|---|---|
| Property Type | 2020 ZWL | 2020 ZWL (Sensitivity Analysis +5%) | 2020 ZWL (Sensitivity Analysis -5%) |
| Residential | 4,098,504.00 | 4,303,429.20 | 3,893,578.80 |
| Commercial | 705,306,696.00 | 740,572,030.80 | 670,041,361.20 |
| Industrial | 98,144,032.00 | 103,051,233.60 | 93,236,830.40 |
| Land/Stands | 301,994,260.86 | 317,093,973.90 | 286,894,547.82 |
| Agriculture | 608,744,415.00 | 639,181,635.75 | 578,307,194.25 |
| Total | 1,718,287,907.86 | 1,804,202,303.25 | 1,632,373,512.47 |

Significant increases /decreases in estimated rental value, in isolation , would result in a significantly higher / (lower) fair values for the properties. The table above illustrates that the impact of a positive or negative deviation of 5% in rental value would result in an increase of $85.9 million either way, which variance will filter to the income statement and statement of financial position.

## 18. FAIR VALUE MEASUREMENT

The table below presents components of the statement of financial Position that are recognised at fair value:

INFLATION ADJUSTED

| | Level 1 | | Level 2 | | Level 3 | | Total Carrying Amount | |
|---|---|---|---|---|---|---|---|---|
| | 31 Dec 20 | 31 Dec 19 | 31 Dec 20 | 31 Dec 19 | 31 Dec 20 | 31 Dec 19 | 31 Dec 20 | 31 Dec 19 |
| Local shares | 85,626,723 | 65,773,009 | - | - | - | - | 85,626,723 | 65,773,009 |
| Financial Securities | - | - | 75,046,698 | 263,966,063 | - | - | 75,046,698 | 263,966,063 |
| Investment property | - | - | - | - | 1,718,287,908 | 2,628,991,137 | 1,718,287,908 | 2,628,991,137 |
| Assets held for sale | 2,036,827,596 | - | - | - | - | - | 2,036,827,596 | - |
| Land & Buildings | - | - | - | - | - | 711,828,613 | - | 711,828,613 |
| **Total Assets at fair value** | **2,122,454,319** | **65,773,009** | **75,046,698** | **263,966,063** | **1,718,287,908** | **3,340,819,750** | **3,915,788,925** | **3,670,558,822** |

Level 3 valuation techniques are highlighted on note 17 for investment property.

HISTORICAL (UNAUDITED)

| | Level 1 | | Level 2 | | Level 3 | | Total Carrying Amount | |
|---|---|---|---|---|---|---|---|---|
| | 31 Dec 20 | 31 Dec 19 | 31 Dec 20 | 31 Dec 19 | 31 Dec 20 | 31 Dec 19 | 31 Dec 20 | 31 Dec 19 |
| Local shares | 85,626,723 | 14,661,706 | - | - | - | - | 85,626,723 | 14,661,706 |
| Financial Securities | - | - | 75,046,698 | 58,841,657 | - | - | 75,046,698 | 58,841,657 |
| Investment property | - | - | - | - | 1,718,287,908 | 586,038,194 | 1,718,287,908 | 586,038,194 |
| Assets held for sale | 2,025,552,932 | - | - | - | - | - | 2,025,552,932 | - |
| Land & Buildings | - | - | - | - | - | 158,676,364 | - | 158,676,364 |
| **Total Assets at fair value** | **2,111,179,655** | **14,661,706** | **75,046,698** | **58,841,657** | **1,718,287,908** | **744,714,558** | **3,904,514,261** | **818,217,921** |



## 19. GOODWILL

| | Inflation Adjusted | | Historical (Unaudited) | |
|---|---|---|---|---|
| | 2020 | 2019 | 2020 | 2019 |
| | ZWL | ZWL | ZWL | ZWL |
| Goodwill | - | 957,122,523 | - | 34,350,077 |

The goodwill arose from the acquisition of Star Africa Corporation (SAC) and the Group calculated goodwill for SAC, as well as the subsidiary of the subsidiary, which amounts to ZWL34,350,077 (Historical). Goodwill was calculated using the carrying amount method and the non-controlling interest was calculated as a proportion of net assets. The goodwill is reported under disposal group assets that have been presented as held for sale in 2020.

NOTES TO THE GROUP FINANCIAL STATEMENTS
For the year ended 31 December 2020

# 20 PROPERTY AND EQUIPMENT

## 20.1 INFLATION ADJUSTED

| | Land and Buildings | Furniture & Equipment | Motor Vehicles | Plant & Machinery | Computer Hardware & Software | Total |
|---|---|---|---|---|---|---|
| | ZWL | ZWL | ZWL | ZWL | ZWL | ZWL |
| **COST** | | | | | | |
| At 01 January 2019 | 492,859,080 | 17,724,930 | 14,967,190 | 535,679,370 | 5,371,811 | 1,066,602,381 |
| Additions | - | 11,350,934 | 6,694,317 | - | 13,704,836 | 31,750,087 |
| Revaluations | 218,969,532 | - | - | - | - | 218,969,532 |
| Disposals | - | (30,900) | - | (5,110,004) | (462,593) | (5,603,497) |
| **At 31 December 2019** | **711,828,612** | **29,044,964** | **21,661,507** | **530,569,366** | **18,614,054** | **1,311,718,503** |
| Additions | 493,504 | 2,642,989 | 18,564,448 | 33,144,116 | 1,327,409 | 56,172,466 |
| Revaluations | (38,195,499) | - | - | - | - | (38,195,499) |
| Disposals | (153,575,032) | - | (3,912,615) | (3,398,165) | (1,833,544) | (162,719,356) |
| Transfer to assets held for sale | (520,551,585) | (23,963,929) | (1,269,066) | (560,315,317) | - | (1,106,099,897) |
| **At 31 December 2020** | **-** | **7,724,024** | **35,044,274** | **-** | **18,107,919** | **60,876,217** |
| **DEPRECIATION** | | | | | | |
| At 1 January 2019 | 31,400,656 | 6,465,313 | 5,229,638 | 265,306,088 | 1,694,434 | 310,096,129 |
| Charge for the year | 5,839,178 | 2,774,456 | 2,055,558 | 17,472,437 | 1,532,373 | 29,674,002 |
| Revaluations | (37,239,834) | - | - | - | - | (37,239,834) |
| Disposals | - | (30,900) | - | (2,299,495) | (37,835) | (2,368,230) |
| **At 31 December 2019** | **-** | **9,208,869** | **7,285,196** | **280,479,030** | **3,188,972** | **300,162,067** |
| Charge for the year | 8,930,850 | 2,906,000 | 1,717,586 | 19,565,125 | 454,498 | 33,574,059 |
| Disposals | (902,093) | - | (1,964,327) | (2,296,226) | (684,940) | (5,487,586) |
| Depreciation reversal on revaluation | (7,823,095) | - | - | - | - | (7,823,095) |
| Depreciation reversal on impairment | (205,662) | - | - | - | - | (205,662) |
| Impairment charge | 35,012,329 | 1,636,258 | 93,756 | 30,326,185 | - | (67,068,528) |
| Transfer to asset held for sale | (35,012,329) | (11,433,290) | (551,075) | (328,074,114) | - | (375,070,808) |
| **At 31 December 2020** | **-** | **2,317,837** | **6,581,136** | **-** | **2,958,530** | **11,857,503** |
| **NET BOOK VALUE** | | | | | | |
| **At 31 December 2019** | **711,8285,612** | **19,836,095** | **14,376,311** | **250,090,336** | **15,425,082** | **1,011,556,436** |
| **At 31 December 2020** | **-** | **5,406,187** | **28,463,138** | **-** | **15,149,389** | **49,018,714** |

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For the year ended 31 December 2020

# 20 PROPERTY AND EQUIPMENT

## 20.2 HISTORICAL (UNAUDITED)

| | Land and Buildings | Furniture & Equipment | Motor Vehicles | Plant & Machinery | Computer Hardware & Software | Total |
|---|---|---|---|---|---|---|
| | ZWL | ZWL | ZWL | ZWL | ZWL | ZWL |
| **COST** | | | | | | |
| At 01 January 2019 | 17,688,171 | 636,128 | 537,156 | 19,224,944 | 176,186 | 38,262,585 |
| Additions | - | 1,117,232 | 566,508 | 6,425,693 | 750,091 | 8,859,524 |
| Revaluations | 140,988,193 | - | - | - | - | 140,988,193 |
| Disposals | - | (1,303) | - | (215,572) | (48,013) | (264,888) |
| **At 31 December 2019** | **158,676,364** | **1,752,057** | **1,103,664** | **25,435,065** | **878,264** | **187,845,414** |
| Additions | 439,800 | 1,734,076 | 15,442,937 | 30,740,199 | 903,227 | 49,260,239 |
| Revaluations | 583,810,287 | - | - | - | - | 583,810,287 |
| Disposals | (163,493,000) | - | (144,000) | (120,841) | (93,778) | (163,851,619) |
| Transfer to assets held for sale | (579,451,451) | (2,857,444) | (750,991) | (56,054,423) | - | (639,114,309) |
| **At 31 December 2020** | **-** | **628,689** | **15,651,610** | **-** | **1,687,713** | **17,968,012** |
| At 1 January 2019 | 1,126,935 | 232,033 | 187,686 | 9,521,544 | 60,811 | 11,129,009 |
| Charge for the year | 1,912,252 | 197,049 | 162,363 | 881,196 | 126,980 | 3,279,840 |
| Revaluations | (3,039,187) | - | - | - | - | (3,039,187) |
| Disposals | - | (1,303) | - | (96,994) | (4,166) | (102,463) |
| **At 31 December 2019** | **-** | **427,779** | **350,049** | **10,305,746** | **183,625** | **11,267,199** |
| Charge for the year | 4,004,607 | 681,286 | 1,231,987 | 1,722,401 | 250,723 | 7,891,004 |
| Disposals | (500,000) | - | (96,000) | (74,360) | (37,286) | (707,646) |
| Depreciation reversal on revaluation | (3,398,947) | - | - | - | - | (3,398,947) |
| Depreciation reversal on impairment | (105,660) | - | - | - | - | (105,660) |
| Impairment charge | 37,931,451 | 187,602 | 61,380 | 4,237,574 | | 42,418,007 |
| Transfer to asset held for sale | (37,931,451) | (1,092,667) | (173,585) | (16,191,361) | - | (55,389,064) |
| **At 31 December 2020** | **-** | **204,000** | **1,373,831** | **-** | **397,062** | **1,974,893** |
| **NET BOOK VALUE** | | | | | | |
| **At 31 December 2019** | **158,676,364** | **1,324,278** | **753,615** | **15,129,319** | **694,639** | **176,578,215** |
| **At 31 December 2020** | **-** | **424,689** | **14,277,779** | **-** | **1,290,651** | **15,993,119** |

### Revaluation of Property Plant and Equipment

The group carries Land and Buildings at Fair value less accumulated depreciation and impairment and the rest of the property plant and equipment is carried at stock less accumulated depreciation. The revalued property consists of commercial stands, warehouses, residential and industrial buildings in Zimbabwe. Fair Value of Properties was determined by using market comparable method and the implicit investment method. The difference between the carrying amount as at 31 December 2019 and the fair value as at 31 December 2020 was deemed to be the revaluation in ZWL terms and was classified under other comprehensive income.

At the date of revaluation the Property fair values were determined by Dawn Properties Consultants an accredited independent valuer. The valuations performed by the valuer are based on active market prices significantly adjusted for difference in the nature, location or condition of the specific property.

The fair valuation of land and buildings is categorised as level 3 and the significant unobservable inputs used as at the 31st of December 2020 are as follows:

| | Valuation Technique | Significant Unobservable Input |
|---|---|---|
| Industrial | Implicit Investment | Rental per square metre (ZWL25.00 - 75.00) (2019; ZWL75.00 - 112.50) |
| Residential/Vacant | Comparable Method | Main Space Equivalent (MSE) factor & Land price/square meter |

There were no transfers between fair value level categories during the year.

Significant increases/decreases in estimated rental value, in isolation, would result in a significantly higher/(lower) fair value of properties.

## 21. SHARE CAPITAL

| | Inflation Adjusted | | Historical (Unaudited) | |
|---|---|---|---|---|
| | 2020 | 2019 | 2020 | 2019 |
| | ZWL | ZWL | ZWL | ZWL |
| Authorised share capital 200 000 ordinary shares at $0.01 | 55,728 | 55,728 | 2,000 | 2,000 |

## NOTES TO THE GROUP FINANCIAL STATEMENTS
For the year ended 31 December 2020

### 21. SHARE CAPITAL (continued)

| Issued Share Capital | Inflation Adjusted | | Historical (Unaudited) | |
|---|---|---|---|---|
| | 2020 | 2019 | 2020 | 2019 |
| | ZWL | ZWL | ZWL | ZWL |
| 100,000 Ordinary Shares @ $0.01 | 27,864 | 27,864 | 1,000 | 1,000 |
| Share premium | 983,215,404 | 983,215,404 | 35,286,521 | 35,286,521 |
| | **983,243,268** | **983,243,268** | **35,287,521** | **35,287,521** |

The Group's issued share capital is held by the Reserve Bank of Zimbabwe. In accordance with the provisions of the Companies Act [Chapter 24:01], the unissued ordinary shares of the corporation are under the control of the Board of Directors.

## 22. PAYABLES

| | Inflation Adjusted | | Historical (Unaudited) | |
|---|---|---|---|---|
| | 2020 | 2019 | 2020 | 2019 |
| | ZWL | ZWL | ZWL | ZWL |
| Trade payables | - | 424,423,741 | - | 138,993,005 |
| Other payables | 45,851,749 | 277,779,205 | 45,851,749 | 82,754,150 |
| **Closing Balance 31 December** | **45,851,749** | **702,202,946** | **45,851,749** | **221,747,155** |

Other payables include legal fees accrued, Audit fees provision and provisions for leave pay.

## 23. LEAVE PAY PROVISION

| | Inflation Adjusted | | Historical (Unaudited) | |
|---|---|---|---|---|
| | 2020 | 2019 | 2020 | 2019 |
| | ZWL | ZWL | ZWL | ZWL |
| Leave balance as at 31 Dec | **7,619,516** | **16,552,153** | **7,619,516** | **5,291,605** |

## 24.1 LOANS AND BORROWINGS

### INFLATION ADJUSTED

| NAME | RATE | TENURE | SECURITY | 2020 ZWL | 2019 ZWL |
|---|---|---|---|---|---|
| PTA/RBZ Bank * | 8.25 | 8 Years | - | 17,038,459 | 105,848,330 |
| IDBZ Foreign Loans# | 0% | - | - | 38,283,003 | 171,739,106 |
| Stanbic loan facility | 10% | - | - | - | - |
| Intermarket Bank - Zambia | 15% | - | - | - | 25,107,867 |
| Zimbabwe Sugar Sales | 7% | - | - | - | 14,783,545 |
| Con-current Creditors | 7% | - | - | - | 295,074,825 |
| BancABC | 0-5% | - | - | - | 41,943,577 |
| Other Loans and Dues | 0-5% | - | - | 102,927,168 | 416,542,576 |
| **TOTAL** | | | | **158,248,630** | **1,031,039,826** |

* The loan from PTA relates to loans accessed by local financial institutions from PTA under sovereign guarantees. The financial institutions failed to service them resulting in the sovereign guarantees being called on. The government assumed the loans through RBZ, which in turn ceded them to ZAMCO. RBZ has been paying PTA the amounts due as agreed. The obligation on ZAMCO's books is to RBZ and payable in Zimbabwean Dollars.

# The IDBZ foreign loans do not have a defined term as they are dependent on the ability of IDBZ to raise funding to extinguish the debts.

## 24.2 LOANS AND BORROWINGS

### HISTORICAL (UNAUDITED)

| NAME | RATE | TENURE | SECURITY | 2020 ZWL | 2019 ZWL |
|---|---|---|---|---|---|
| PTA Bank | 8.25 | 8 Years | - | 17,038,459 | 23,595,045 |
| IDBZ Foreign Loans# | 0% | - | - | 38,283,003 | 38,283,003 |
| Stanbic loan facility | 10% | - | - | - | - |
| Intermarket Bank - Zambia | 15% | - | - | - | 8,222,485 |
| Zimbabwe Sugar Sales | 7% | - | - | - | 4,841,410 |
| Con-current Creditors | 7% | - | - | - | 96,632,992 |
| BancABC | 0-5% | - | - | - | 636,494 |
| Other Loans and Dues* | 0-5% | - | - | 102,927,168 | 92,853,055 |
| **TOTAL** | | | | **158,248,630** | **265,064,484** |

# NOTES TO THE GROUP FINANCIAL STATEMENTS
For the year ended 31 December 2020

## 24.3 OTHER LOANS AND DUES

| | Inflation Adjusted | | Historical (Unaudited) | |
|---|---|---|---|---|
| | 2020 | 2019 | 2020 | 2019 |
| | ZWL | ZWL | ZWL | ZWL |
| RBZ Loan - PTA Repayments | 49,412,358 | 184,023,092 | 49,412,358 | 41,021,271 |
| TB Coupon & Capital payments | 479,773 | 2,755,313 | 479,773 | 614,197 |
| Government Redeemed Tbs | 32,031,490 | 143,694,565 | 32,031,490 | 32,031,490 |
| Interest due and payable | 15,811,993 | 63,869,653 | 15,811,993 | 14,237,423 |
| Business resuscitation fund | 5,191,554 | 22,199,953 | 5,191,554 | 4,948,674 |
| | **102,927,168** | **416,542,576** | **102,927,168** | **92,853,055** |

Other loans and dues include Reserve Bank of Zimbabwe intercompany loans arising from PTA repayments and TB coupons paid by the Reserve Bank, interest accrued on the Treasury bills in issue. No tenures have been agreed upon with respect to the intercompany loans. The Treasury bill interest is accrued up to six (6) months. The increase relates mainly to PTA facility repayments done by the RBZ on Group's behalf.

## 24.4 Changes in Loans and Borrowings arising from Financing activities

| | Inflation Adjusted | | Historical (Unaudited) | |
|---|---|---|---|---|
| | 2020 | 2019 | 2020 | 2019 |
| | ZWL | ZWL | ZWL | ZWL |
| Opening Balance | 1,031,039,826 | 4,474,902,726 | 265,064,484 | 164,958,127 |
| Interest charged | 165,162,675 | 846,205,281 | 99,431,011 | 63,593,261 |
| Loans acquired | 171,315,786 | 666,311,340 | 56,103,590 | 29,658,252 |
| Loans paid off | (69,618,254) | (226,640,914) | (63,971,488 | (25,290,645) |
| Interest paid | (110,214,533) | (749,707,700) | (50,992,142) | (50,946,216) |
| Loans renegotiated | (320,697,322) | (30,473,589) | (356,909,495) | (5,594,959) |
| Transfers to other accounts | (170,858) | - | (204,707) | - |
| Effects of exchange rates on Foreign Creditors | 189,249,917 | 270,810,220 | 211,069,679 | 88,686,664 |
| Monetary gain | (896,615,068) | (4,220,367,538) | - | - |
| Transfer to Assets Held for Sale | (1,203,539) | - | (1,342,302) | - |
| **Balance as at 31 December** | **158,248,630** | **1,031,039,826** | **158,248,630** | **265,064,484** |

## 25 TREASURY BILLS IN ISSUE

| | Inflation Adjusted | | Historical (Unaudited) | |
|---|---|---|---|---|
| | 2020 | 2019 | 2020 | 2019 |
| | ZWL | ZWL | ZWL | ZWL |
| Balance as at 1 January | 4,602,080,519 | 27,268,412,348 | 1,025,866,888 | 978,633,366 |
| Additions | - | 625,419,388 | - | 50,744,093 |
| Payments | (11,071,747) | (62,954,386) | (5,528,709) | (3,510,571) |
| Monetary gain | (3,570,670,593) | (23,228,796,831) | - | - |
| **Balance as at 31 December** | **1,020,338,179** | **4,602,080,519** | **1,020,338,179** | **1,025,866,888** |

These are ZWL Dollar denominated Government of Zimbabwe Treasury Bills issued on behalf of the Group for the acquisition of non-performing loans and payments made by the RBZ to foreign creditors for and on behalf of the Group with respect to interest due. The Treasury Bills attract a coupon of 5%p.a payable semi-annually. The increase in treasury bills resulted from more acquisitions of NPLs being concluded.

## 26 DEFERRED INCOME

| | Inflation Adjusted | | Historical (Unaudited) | |
|---|---|---|---|---|
| | 2020 | 2019 | 2020 | 2019 |
| | ZWL | ZWL | ZWL | ZWL |
| **Deferred Income** | **70,924,656** | **92,222,132** | **2,545,408** | **3,309,751** |

Refers to facility fees charged by the Group on restructuring a loan. The deferred income is amortised over the lifespan of the facility.

## 27. DEFERRED TAX LIABILITY

| | Inflation Adjusted | | Historical (Unaudited) | |
|---|---|---|---|---|
| | 2020 | 2019 | 2020 | 2019 |
| | ZWL | ZWL | ZWL | ZWL |
| Opening balance 1 January | 135,667,046 | 82,323,695 | 28,401,009 | 2,954,507 |
| Transferred to disposal group | (135,667,046) | - | (28,401,009) | - |
| Charge to Profit & Loss | - | 107,780,988 | - | 25,446,502 |
| Monetary loss/(gain) | - | (54,437,636) | | |
| **Closing Balance 31 December** | **-** | **135,667,046** | **-** | **28,401,009** |

# NOTES TO THE GROUP FINANCIAL STATEMENTS
For the year ended 31 December 2020

## 28 CONTINGENT LIABILITIES, COMMITMENTS AND OTHER CONTINGENCIES

There were no contingent liabilities at year End

## 29. CAPITAL COMMITMENTS

| | Inflation Adjusted | | Historical (Unaudited) | |
|---|---|---|---|---|
| | 2020 | 2019 | 2020 | 2019 |
| | ZWL | ZWL | ZWL | ZWL |
| Opening balance 1 January | 11,100,012 | 117,707,892 | 2,474,345 | 4,224,407 |
| New commitments- authorised and contracted: | 5,179,120 | 11,100,012 | 4,969,192 | 2,474,345 |
| Paid out during the year | (11,115,201) | (891,587) | (7,443,537) | (4,224,407) |
| Effects of inflation | (5,163,930) | (116,816,305) | - | - |
| **Closing Balance 31 December** | **-** | **11,100,012** | **-** | **2,474,345** |

## 30. RETIREMENT BENEFIT SCHEMES

### 30.1 National Social Security Authority (NSSA) scheme

The Employees are members of a state-managed retirement benefit plan, NSSA, and the contributions to the scheme are made in terms of the National Social Security Authority Act (Chapter 17:04). During the year The Group contributed ZWL476,189 (2019: ZWL2,173,531) towards this plan and the cost is included in the staff costs.

### 30.2 Fintrust Pension Fund

ZAMCO staff joined the RBZ initiated Fintrust Pension Fund, which is managed by Comarton Consultants with effect from 1 January 2017. The fund is a defined contribution plan, towards which the employee contributes 6% of basic earnings, whilst the employer contributes 15%. During the year ZAMCO contributed ZWL4,529,197 (2019: ZWL3,070,031) towards the fund.

### 30.3 Recognition of contributions

The Group's obligation with respect to the retirement benefit plan is to make the specific contributions. The contributions to the pension funds are recognized as an expense when they fall due.

## NOTES TO THE GROUP FINANCIAL STATEMENTS
For the year ended 31 December 2020

### 30.3.1 Contributions recognized as an expense during the year

| | Inflation Adjusted | | Historical (Unaudited) | |
|---|---|---|---|---|
| | 2020 | 2019 | 2020 | 2019 |
| | ZWL | ZWL | ZWL | ZWL |
| National Social Security Authority Scheme | 476,189 | 2,173,531 | 335,140 | 269,478 |
| Fintrust Pension Fund | 4,529,197 | 3,070,031 | 3,197,905 | 286,209 |
| | **5,005,386** | **5,243,562** | **3,533,045** | **555,687** |

## 31 FINANCIAL ASSETS AND RISK MANAGEMENT

The Group has various policies and procedures to manage its risk. Below is a table on classification of the Group's financial assets on certain aspects of its risk management specific to its financial instruments.

### 30.1 Classification of Financial Assets and Liabilities (2020)

| | | Inflation Adjusted | | | Historical (Unaudited) | | |
|---|---|---|---|---|---|---|---|
| | | 2020 | | | | | |
| | Notes | Amortised Cost | Fair Value through profit and loss | Total | Amortised Cost | Fair Value through profit and loss | Total |
| | | | ZWL | ZWL | ZWL | ZWL | ZWL |
| **Financial Assets** | | | | | | | |
| Loans and advances | 10.1 | 275,770,505 | - | 275,770,505 | 275,770,505 | - | 275,770,505 |
| Debt asset conversion assets | 10.2 | 35,466,994 | - | 35,466,994 | 35,466,994 | - | 35,466,994 |
| Preference shares held | 10.3 | 3,364,363 | - | 3,364,363 | 3,364,363 | - | 3,364,363 |
| Local Shares | 11 | - | 85,626,723 | 85,626,723 | - | 85,626,723 | 85,626,723 |
| Other Receivables | 9 | 9,811,878 | - | 9,811,878 | 6,421,405 | - | 6,421,405 |
| Financial securities | 12 | 75,046,698 | - | 75,046,698 | 75,046,698 | - | 75,046,698 |
| Cash and bank balances | 8 | 213,408,180 | | 213,408,180 | 213,408,180 | - | 213,408,180 |
| **Total** | | **612,868,618** | **85,626,723** | **698,495,341** | **609,478,145** | **85,626,723** | **695,104,868** |
| **Financial Liabilities** | | | | | | | |
| Treasury bills in issue | 23 | 1,020,338,179 | - | 1,020,338,179 | 1,020,338,179 | - | 1,020,338,179 |
| Loans & borrowings | 22 | 55,321,462 | - | 55,321,462 | 55,321,462 | - | 55,321,462 |
| Other loans and dues | 22 | 102,927,168 | | 102,927,168 | 102,927,168 | | 102,927,168 |
| Payables | 26 | 45,851,749 | - | 45,851,749 | 45,851,749 | - | 45,851,749 |
| **Total** | | **1,224,438,558** | **-** | **1,224,438,558** | **1,224,438,558** | **-** | **1,224,438,558** |

## NOTES TO THE GROUP FINANCIAL STATEMENTS
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### 31.2 Classification of Financial Assets and Liabilities (2019)

| | | Inflation Adjusted | | | Historical (Unaudited) | | |
|---|---|---|---|---|---|---|---|
| | | 2019 | | | 2019 | | |
| | Notes | Amortised Cost | Fair Value through profit and loss | Total | Amortised Cost | Fair Value through profit and loss | Total |
| | | | ZWL | ZWL | ZWL | ZWL | ZWL |
| **Financial Assets** | | | | | | | |
| Loans and advances | 10.1 | 2,868,797,830 | - | 2,868,797,830 | 639,494,396 | - | 639,494,396 |
| Debt asset conversion assets | 10.2 | 169,645,628 | - | 169,645,628 | 37,816,338 | - | 37,816,338 |
| Preference shares held | 10.3 | 10,987,843 | - | 10,987,843 | 2,449,341 | - | 2,449,341 |
| Local Shares | 11 | - | 65,773,009 | 65,773,009 | - | 14,661,706 | 14,661,706 |
| Receivables | 9 | 341,152,039 | - | 341,152,039 | 101,725,775 | - | 101,725,775 |
| Financial securities | 12 | 263,966,063 | - | 263,966,063 | 58,841,657 | - | 58,841,657 |
| Cash and bank balances | 8 | 789,975,552 | - | 789,975,552 | 191,715,392 | - | 191,715,392 |
| **Total** | | **4,443,852,048** | **65,773,009** | **4,509,625,057** | **1,032,042,899** | **14,661,706** | **1,046,704,605** |
| **Financial Liabilities** | | | | | | | |
| Treasury bills in issue | 23 | 4,602,080,519 | - | 4,602,080,519 | 1,025,866,888 | - | 1,025,866,888 |
| Long term loans & borrowings | 22 | 1,031,039,826 | - | 1,031,039,826 | 265,064,484 | - | 265,064,484 |
| Payables | 26 | 771,905,144 | - | 771,905,144 | 244,573,677 | - | 244,573,677 |
| **Total** | | **6,405,025,489** | **-** | **6,405,025,489** | **1,535,505,049** | **-** | **1,535,505,049** |

### 31.3 Market price risk

Market price risk is the risk of loss resulting from changes in market conditions and prices. Market price risk includes interest rate risk, currency risk and equity price risk. In its operations, the Group is obliged to accept certain market-related risks which would not be fully compatible with pure commercial practice. the Group nevertheless manages its market risks responsibly, utilising modern technology and appropriate organisational structures and procedures. Exposures and limits are measured continuously and strategies are routinely reviewed by management

### 31.4 Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. This is managed at both the board and management level through regular policy and benchmarks which relates to interest rate risk management. The Group's senior management oversees the management of these risks and they are supported by a committee that advises on such risks and the appropriate risk governance framework for the Group. The committee provides assurance that the Group's financial risk activities are governed by appropriate policies and procedures and that financial risks are identified, measured and managed in accordance with the Group's policies and risk objectives.

Listed below are the Group's interest earning assets and interest bearing liabilities:

| | Inflation Adjusted | | Historical (Unaudited) | |
|---|---|---|---|---|
| | 2020 | 2019 | 2020 | 2019 |
| | ZWL | ZWL | ZWL | ZWL |
| **Interest earning assets** | | | | |
| Loans & Advances | 275,770,505 | 2,868,797,830 | 275,770,505 | 639,494,396 |
| Preference Shares | 3,364,363 | 10,987,843 | 3,364,363 | 2,449,341 |
| Financial Securities | 75,046,698 | 263,966,063 | 75,046,698 | 58,841,657 |
| Total | 354,181,566 | 3,143,751,736 | 354,181,566 | 700,785,394 |
| **Interest bearing liabilities** | | | | |
| Loans And Borrowings | 158,248,630 | 1,031,039,826 | 158,248,630 | 265,064,484 |
| Treasury Bills | 1,020,338,179 | 4,602,080,519 | 1,020,338,179 | 1,025,866,888 |
| | **1,178,586,809** | **5,633,120,345** | **1,178,586,809** | **1,290,931,372** |

# NOTES TO THE GROUP FINANCIAL STATEMENTS
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### 31.5 Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of an exposure will fluctuate because of changes in exchange rates. The Group's assets and liabilities are held in ZWL (the Group's functional currency) hence the corporation was not exposed to currency risk at year end.

### 31.6 Credit risk

Credit risk is the risk of loss due to the inability or unwillingness of a counterparty to meet its contractual obligations. Credit risk arises from such activities of the Group as advances to clients and deposits made with other institutions and the settlement of financial market transactions.

Credit mitigation is employed by the Group through taking collateral mostly in the form of immovable property and other guarantees. The Group is exposed to credit risk from its operating activities, financing activities including deposits with banks and financial institutions, foreign exchange transactions and other financial instruments.

Credit risk from balances with banks and financial institutions is managed by the Group's Investment and Asset Management department in accordance with the Group's policy.

### 31.6.1 Concentration of credit risk

The Group deals with a variety of clients and its loans and advances are structured and spread among them. In addition, the Group has procedures and policies in place to limit the amount of credit exposure to any counterparty. The Group reviews, on a regular basis, the performance of counterparties and takes action accordingly to ensure that exposure limits are not exceeded. The Group was not exposed to any concentration risk as at year end.

### 31.6.2 Credit risk measurement

The Group assesses the probability of default of financial instruments or counterparty using internal rating scale tailored to the various categories of counterparties. The rating scale has been developed internally and combines data analysis with credit officer judgment and is validated, where appropriate, by comparison with externally available information. Clients of the Group are segmented into five rating classes. the Group's rating scale, which is shown below, reflects the range of default probabilities defined for each rating class. This means that, in principle, exposures migrate between classes as the assessment of their probability of default changes. The rating scale is kept under review and upgraded as necessary. the Group regularly validates the performance of the rating and their predictive power with regard to default events.

# NOTES TO THE GROUP FINANCIAL STATEMENTS
For the year ended 31 December 2020

## 31.6 Credit risk (continued)

Internal Ratings Scale

| Rating Grade | Description of the rating | IFRS 9 Classification |
|---|---|---|
| 1 | Pass | Stage 1 |
| 2 | Special Mention | Stage 2 |
| 3 | Sub-standard | Stage 2 |
| 4 | Doubtful and bad | Stage 3 |
| 5 | Loss | Stage 3 |

Classification of financial assets according to credit risk (Gross carrying amounts)

| | Inflation Adjusted | | | | Historical (Unaudited) | | | |
|---|---|---|---|---|---|---|---|---|
| | Stage 1 | Stage 2 | Stage 3 | Total | Stage 1 | Stage 2 | Stage 3 | Total |
| | ZWL | ZWL | ZWL | ZWL | ZWL | ZWL | ZWL | ZWL |
| **Credit Risk Analysis (2020)** | | | | | | | | |
| Cash and bank balances | 213,408,180 | - | - | 213,408,180 | 213,408,180 | - | - | 213,408,180 |
| Loans and advances | 31,824,135 | - | 387,799,453 | 419,623,588 | 31,824,135 | - | 387,799,453 | 275,770,505 |
| Debt asset conversion assets | - | - | 35,466,994 | 35,466,994 | - | - | 35,466,994 | 35,466,994 |
| Preference shares held | - | - | 6,320,443 | 6,320,443 | - | - | 6,320,443 | 3,364,363 |
| Receivables | 9,811,878 | - | - | 9,811,878 | 6,421,405 | - | - | 6,421,405 |
| **Total** | **255,044,193** | **-** | **429,586,890** | **684,631,083** | **251,653,720** | **-** | **429,586,890** | **681,240,610** |
| **Credit Risk Analysis (2019)** | | | | | | | | |
| Cash and bank balances | 789,975,552 | - | - | 789,975,552 | 191,715,392 | - | - | 191,715,392 |
| Loans and advances | 10,919,103 | - | 3,760,997,284 | 3,771,916,387 | 2,434,040 | - | 838,377,873 | 840,811,913 |
| Debt asset conversion assets | - | - | 170,201,592 | 170,201,592 | - | - | 37,940,270 | 37,940,270 |
| Preference shares held | - | - | 179,856,776 | 179,856,776 | - | - | 40,092,543 | 40,092,543 |
| Receivables | 341,152,039 | - | - | 341,152,039 | 101,725,775 | - | - | 101,725,775 |
| **Total** | **1,142,046,694** | **-** | **4,111,055,652** | **5,253,102,346** | **295,875,207** | **-** | **916,410,686** | **1,212,285,893** |

### 31.7 Credit risk exposure

The table below shows the maximum exposure to credit for the components of the statement of financial position.

| | Inflation Adjusted | | Historical (Unaudited) | |
|---|---|---|---|---|
| | 2020 | 2019 | 2020 | 2019 |
| | ZWL | ZWL | ZWL | ZWL |
| Cash and bank balances | 213,408,180 | 789,975,552 | 213,408,180 | 191,715,392 |
| Trade receivables | - | 203,554,460 | - | 66,661,317 |
| Other receivables | 9,811,878 | 137,597,578 | 6,421,405 | 35,064,458 |
| Loans and advances | 275,770,505 | 2,868,797,830 | 275,770,505 | 639,494,396 |
| Debt Asset Conversion | 35,466,994 | 169,645,628 | 35,466,994 | 37,816,338 |
| Preference shares held | 3,364,363 | 10,987,843 | 3,364,363 | 2,449,341 |
| | **537,821,920** | **4,180,558,892** | **534,431,447** | **973,201,242** |

The Group held collateral worth ZWL323million (2019 – ZWL645 million) on advances to clients. The collateral held by the Group is in the form of real estate.

### 31.8 Liquidity risk

Liquidity risk is the risk that an entity may not be able to accommodate decreases in liabilities or to fund increases in assets in full at the time that a commitment or transaction is due for settlement. The Group faces liquidity risk on foreign obligations as it has limited capacity to create foreign currency when required. The Group has been adequately meeting its liquidity needs in local currency. The disposal of the subsidiary will free the Group from any exposure to foreign loans, creating necessary breathing space on liquidity.

The table below analyses the Group's financial assets and financial liabilities into relevant maturity groups and the amounts disclosed in the table are the contractual undiscounted cash flows.

### 331.8 Liquidity risk continued

### 31.8.1 Maturity Analysis (2020)

| | INFLATION ADJUSTED | | | | | |
|---|---|---|---|---|---|---|
| | On Demand | Due Between 0-3 Months | Due Between 3-12 Months | Due Between 1-5 Years | Due After 5 Years | Total |
| | ZWL | ZWL | ZWL | ZWL | ZWL | ZWL |
| Non-derivative liabilities | | | | | | |
| Loans and borrowings | - | 17,108,782 | 8,584,224 | 94,272,621 | 38,283,003 | 158,248,630 |
| Treasury bills in issue | - | - | 7,199,358 | 81,166,197 | 931,972,264 | 1,020,337,819 |
| Payables | 45,851,749 | - | - | - | - | 45,851,749 |
| **Total Non-derivative liabilities** | **45,851,749** | **17,108,782** | **15,783,582** | **175,438,818** | **970,225,267** | **1,224,438,198** |
| | | | | | | |
| **Assets held for managing liquidity risk** | | | | | | |
| Cash and bank balances | 213,408,180 | - | - | - | - | 213,408,180 |
| Financial Securities | 36,763,695 | - | - | - | 38,283,003 | 75,046,698 |
| Loans and receivables | 1,955,713 | 14,857,125 | 84,678,225 | 174,279,442 | - | 275,770,505 |
| Debt asset conversion assets | - | - | - | 35,466,994 | - | 35,466,994 |
| Preference shares held | - | - | - | 3,364,363 | - | 3,364,363 |
| Local Shares | - | - | 85,626,723 | - | - | 85,626,723 |
| **Total assets held for managing liquidity risk** | **252,127,588** | **14,857,125** | **170,304,948** | **213,110,799** | **38,283,003** | **688,683,463** |
| | | | | | | |
| **Net exposure** | **206,275,839** | **(2,251,657)** | **154,521,366** | **37,671,981** | **(931,972,264)** | **(535,754,735)** |

# NOTES TO THE GROUP FINANCIAL STATEMENTS
For the year ended 31 December 2020

## 31.8.2 Maturity Analysis (2020)

| | HISTORICAL (UNAUDITED) | | | | | |
|---|---|---|---|---|---|---|
| | On Demand | Due Between 0-3 Months | Due Between 3-12 Months | Due Between 1-5 Years | Due After 5 Years | Total |
| | ZWL | ZWL | ZWL | ZWL | ZWL | ZWL |
| **Non-derivative liabilities** | | | | | | |
| Loans and borrowings | - | 17,108,782 | 8,584,224 | 94,272,621 | 38,283,003 | 158,248,630 |
| Treasury bills in issue | - | - | 7,199,358 | 81,166,197 | 931,972,264 | 1,020,337,819 |
| Payables | 45,851,749 | - | - | - | - | 45,851,749 |
| Total Non-derivative liabilities | 45,851,749 | 17,108,782 | 15,783,582 | 175,438,818 | 970,225,267 | 1,224,438,198 |
| | | | | | | |
| **Assets held for managing liquidity risk** | | | | | | |
| Cash and bank balances | 213,408,180 | - | - | - | - | 213,408,180 |
| Financial Securities | 36,763,695 | - | - | - | 38,283,003 | 75,046,698 |
| Loans and receivables | 1,955,713 | 14,857,125 | 84,678,225 | 174,279,442 | - | 275,770,505 |
| Debt asset conversion assets | - | - | - | 35,466,994 | - | 35,466,994 |
| Preference shares held | - | - | - | 3,364,363 | - | 3,364,363 |
| Local Shares | - | - | 85,626,723 | - | - | 85,626,723 |
| **Total assets held for managing liquidity risk** | **252,127,588** | **14,857,125** | **170,304,948** | **213,110,799** | **38,283,003** | **688,683,463** |
| | | | | | | |
| **Net exposure** | **206,275,839** | **(2,251,657)** | **154,521,366** | **37,671,981** | **(931,972,264)** | **(535,754,735)** |

### 31.8.3 Maturity Analysis (2019)

| | INFLATION ADJUSTED | | | | | |
|---|---|---|---|---|---|---|
| | On Demand | Due Between 0-3 Months | Due Between 3-12 Months | Due Between 1-5 Years | Due After 5 Years | Total |
| | ZWL | ZWL | ZWL | ZWL | ZWL | ZWL |
| **Non-derivative liabilities** | | | | | | |
| Loans and borrowings | - | 66,058,087 | 34,975,564 | 758,267,069 | 171,739,106 | 1,031,039,826 |
| Treasury bills in issue | - | 1,616,617 | 23,185,392 | 246,115,919 | 4,331,162,592 | 4,602,080,519 |
| Payables | - | 743,997,238 | 27,907,905 | - | - | 771,905,144 |
| **Total Non-derivative liabilities** | **-** | **811,671,942** | **86,068,861** | **1,004,382,988** | **4,502,901,698** | **6,405,025,489** |
| **Assets held for managing liquidity risk** | | | | | | |
| Cash and bank balances | 789,975,552 | - | - | - | - | 789,975,552 |
| Receivables | - | - | 341,152,039 | - | - | 341,152,039 |
| Financial Securities | 92,226,957 | - | - | - | 171,739,106 | 263,966,063 |
| Loans and receivables | 50,348,812 | 166,752,199 | 760,947,980 | 1,545,687,637 | 345,061,201 | 2,868,797,830 |
| Debt asset conversion assets | - | - | - | 169,645,628 | - | 169,645,628 |
| Preference shares held | - | - | - | 10,987,843 | - | 10,987,843 |
| Local Shares | - | - | 65,773,009 | - | - | 65,773,009 |
| **Total assets held for managing liquidity risk** | **932,551,321** | **166,752,199** | **1,167,873,028** | **1,726,321,108** | **516,800,307** | **4,510,297,963** |
| **Net exposure** | **932,551,321** | **(644,919,743)** | **1,081,804,166** | **721,938,120** | **(3,986,101,390)** | **(1,894,727,526)** |

## NOTES TO THE GROUP FINANCIAL STATEMENTS
For the year ended 31 December 2020

### 31.8.4 Maturity Analysis (2019)

HISTORICAL (UNAUDITED)

| | On Demand | Due Between 0-3 Months | Due Between 3-12 Months | Due Between 1-5 Years | Due After 5 Years | Total |
|---|---|---|---|---|---|---|
| | ZWL | ZWL | ZWL | ZWL | ZWL | ZWL |
| **Non-derivative liabilities** | | | | | | |
| Loans and borrowings | - | 14,725,254 | 7,796,533 | 204,259,694 | 38,283,003 | 265,064,484 |
| Treasury bills in issue | - | 360,366 | 5,168,342 | 54,862,615 | 965,475,565 | 1,025,866,888 |
| Payables | - | 235,434,217 | 9,139,460 | - | - | 244,573,677 |
| **Total Non-derivative liabilities** | **-** | **250,519,837** | **22,104,335** | **259,122,309** | **1,003,758,568** | **1,535,505,409** |
| **Assets held for managing liquidity risk** | | | | | | |
| Cash and bank balances | 191,715,392 | - | - | - | - | 191,715,392 |
| Receivables | - | - | 101,725,775 | | | 101,725,775 |
| Financial Securities | 20,558,654 | - | - | - | 38,283,003 | 58,841,657 |
| Loans and receivables | 11,223,441 | 37,171,353 | 169,625,745 | 344,554,981 | 76,918,876 | 639,494,396 |
| Debt asset conversion assets | - | - | - | 37,816,338 | - | 37,816,338 |
| Preference shares held | - | - | - | 2,449,341 | - | 2,449,341 |
| Local Shares | - | - | 14,661,706 | - | - | 14,661,706 |
| **Total assets held for managing liquidity risk** | **223,497,487** | **37,171,353** | **286,013,226** | **384,820,660** | **115,201,879** | **1,046,704,605** |
| **Net exposure** | **223,497,487** | **(213,348,484)** | **263,908,891** | **125,698,351** | **(888,556,689)** | **(488,800,444)** |

## NOTES TO THE GROUP FINANCIAL STATEMENTS
For the year ended 31 December 2020

### 31.8.5 Default and breaches disclosure

As at reporting date, the Group was not in default for any of the loans and payables.

### 31.8.6 Secured and unsecured Loans and Advances (2020)

| | Inflation Adjusted | | | Historical (Unaudited) | | |
|---|---|---|---|---|---|---|
| | Security Value | Unsecured Value | Total | Security Value | Unsecured Value | Total |
| | | ZWL | ZWL | ZWL | ZWL | ZWL |
| **Financial Assets** | | | | | | |
| Loans and advances | 275,770,505 | - | 275,770,505 | 275,770,505 | - | 275,770,505 |
| Debt asset conversion assets | 35,466,994 | - | 35,466,994 | 35,466,994 | - | 35,466,994 |
| Receivables | - | 9,811,878 | 9,811,878 | - | 6,421,405 | 6,421,405 |
| Financial securities | 75,046,698 | - | 75,046,698 | 75,046,698 | - | 75,046,698 |
| **Total** | **386,284,197** | **9,811,878** | **396,096,075** | **386,284,197** | **6,421,405** | **392,705,602** |
| **Secured and Unsecured Financial Liabilities** | | | | | | |
| Treasury bills in issue | - | 1,020,338,179 | 1,020,338,179 | - | 1,020,338,179 | 1,020,338,179 |
| Long term loans & borrowings | - | 55,321,462 | 55,321,462 | - | 55,321,462 | 55,321,462 |
| Other loans and dues | - | 102,927,168 | 102,927,168 | - | 102,927,168 | 102,927,168 |
| Payables | - | 45,851,749 | 45,851,749 | - | 45,851,749 | 45,851,749 |
| **Total** | **-** | **1,224,438,558** | **1,224,438,558** | **-** | **1,224,438,558** | **1,224,438,558** |

The security held on the financial assets is in the form of Government guarantees and real estate.

# NOTES TO THE GROUP FINANCIAL STATEMENTS
For the year ended 31 December 2020

### 31.8.7 Secured and unsecured Loans and Advances (2019)

| | Inflation Adjusted | | | Historical (Unaudited) | | |
|---|---|---|---|---|---|---|
| | Security Value | Unsecured Value | Total | Security Value | Unsecured Value | Total |
| | | ZWL | ZWL | ZWL | ZWL | ZWL |
| **Financial Assets** | | | | | | |
| Loans and advances | 2,868,797,830 | - | 2,868,797,830 | 639,494,396 | - | 639,494,396 |
| Debt asset conversion assets | 169,645,628 | - | 169,645,628 | 37,816,338 | - | 37,816,338 |
| Receivables | - | 341,152,039 | 341,152,039 | - | 101,725,775 | 101,725,775 |
| Financial securities | 263,996,063 | - | 263,966,063 | 58,841,657 | - | 58,841,657 |
| **Total** | **3,302,409,521** | **341,152,039** | **3,643,561,560** | **736,152,391** | **101,725,775** | **837,878,166** |
| | | | | | | |
| **Secured and Unsecured Financial Liabilities** | | | | | | |
| Treasury bills in issue | - | 4,602,080,519 | 4,602,080,519 | - | 1,025,866,888 | 1,025,866,888 |
| Loans & borrowings | - | 1,031,039,826 | 1,031,039,826 | 4,000,000 | 261,064,484 | 265,064,484 |
| Payables | - | 771,905,144 | 771,905,144 | - | 244,573,677 | 244,573,677 |
| **Total** | **-** | **6,405,025,489** | **6,405,025,489** | **4,000,000** | **1,531,505,049** | **1,535,505,049** |

The security held on the financial assets is in the form of Government guarantees and real estate.

## 32. CAPITAL MANAGEMENT

The Groups objectives when managing capital, which is a broader concept than the equity on the face of financial position, are:

* To safeguard the Group's ability to continue as a going concern so that it can continue to provide returns to shareholders and benefits for other stakeholders.
* To maintain a strong capital position necessary for its term financial health, and to support the development of its business.

The Group is not subject to capital requirements by a regulatory body.

The table below summarises the composition of the Group's capital for the year ended 31 December 2020.

| | Inflation Adjusted | | Historical (Unaudited) | |
|---|---|---|---|---|
| | 2020 | 2019 | 2020 | 2019 |
| | ZWL | ZWL | ZWL | ZWL |
| Share capital | 27,864 | 27,864 | 1,000 | 1,000 |
| Share premium | 983,215,404 | 983,215,404 | 35,286,521 | 35,286,521 |
| Non Distributable Reserve | 236,537,766 | 188,207,415 | 422,327,235 | 96,099,573 |
| Equity component of compound financial instruments | - | (3,811,730) | - | 10,697,993 |
| Retained Earnings | 2,266,459,281 | 1,397,436,330 | 2,455,331,935 | 203,030,392 |
| | **3,486,240,315** | **2,565,075,283** | **2,912,946,691** | **345,115,479** |

The allocation of capital between specific business operations is largely driven by optimisation of the return achieved on the capital allocated. The Board of Directors sets the assets and liability management policies that determine the eventual asset allocation dependent on the strategic objectives of the Group.

The Group uses return on capital employed, synergies with other operations and activities, fit with the longer term strategic objectives of the Group and availability of management and other resources in allocating its capital expenditure activities.

The Group's policies in respect of capital management and allocation are reviewed regularly by the Board of Directors.

NOTES TO THE GROUP FINANCIAL STATEMENTS
For the year ended 31 December 2020

# 33. RELATED PARTY INFORMATION

ZAMCO is wholly owned by the Reserve Bank of Zimbabwe. ZAMCO had a controlling interest of 57.4% in Starafricacorporation Limited as at 31 December 2020. The results of the subsidiary are presented in the group financial report for the year 2020 as a discontinued operation, since the subsidiary has been placed for immediate disposal. There were no intercompany transactions between ZAMCO and Starafricacorporation during the period.

## 33.1 Compensation of key management personnel of the Group.

As required by IAS 24 Related Party Disclosures, key management remuneration and non-Executive Directors' fees are broken down as:

| | Inflation Adjusted | | Historical (Unaudited) | |
|---|---|---|---|---|
| | 2020 | 2019 | 2020 | 2019 |
| | ZWL | ZWL | ZWL | ZWL |
| Non-Executive Directors | 4,324,210 | 5,139,531 | 2,928,416 | 458,603 |
| Key management personnel | 10,356,114 | 5,818,893 | 8,472,322 | 570,796 |
| | **14,680,324** | **10,958,424** | **11,400,738** | **1,029,399** |

## 33.2 Balances with related parties

| | Inflation Adjusted | | Historical (Unaudited) | |
|---|---|---|---|---|
| | 2020 | 2019 | 2020 | 2019 |
| | ZWL | ZWL | ZWL | ZWL |
| Reserve Bank of Zimbabwe (Parent) | 72,122,144 | 306,349,277 | 72,122,144 | 68,289,457 |
| Government of Zimbabwe (Owner of Parent) | 32,031,490 | 143,694,565 | 32,031,490 | 32,031,490 |
| | **104,153,634** | **450,043,842** | **104,153,634** | **100,320,497** |

There were no transactions between the Group and related parties during the period under review. The movement during the year arose from interest expense of $3,832,687 charged on loans to the Reserve bank.

## 34. COMPARATIVE FIGURES

Comparative figures used in this report represent the Group's 2019 audited inflation adjusted consolidated financial statements figures, adjusted for inflation according to the procedure in note 2.5 to the financial statements.

## 35. EVENTS AFTER REPORTING PERIOD

**COVID-19**

Health Organisation declared the covid-19 disease a pandemic in March 2020 and the disease remains a major challenge to the certainty of the current business environment. The pandemic limits human interaction and as such, the operations of the Group remain limited in that regard.

Staff has been encouraged and resourced to work from home. Engagements with clients have also been limited to virtual, unless critically important and unavoidable. The extent, impact and duration of the pandemic remain uncertain and dependent on future developments, which cannot be predicted at this time.

Management continues to monitor developments in relation to the pandemic with a view to safeguarding the health of staff and clients. Protective equipment, fumigation of premises and working-from-home expenditures are some of the emergent costs that the entity faces as it continues offering services during this pandemic.

Below is a line-by-line assessment of the potential impact of the Covid-19 pandemic on the Group's statement of financial position.

# NOTES TO THE GROUP FINANCIAL STATEMENTS
For the year ended 31 December 2020

| Line Description | Potential impact |
|---|---|
| Property plant and equipment | No impact. None of the Property plant and equipment is deployed in goods production which may be susceptible to value-in-use reduction. |
| Investment property | No impact. These largely retain their intrinsic value. |
| Inventory | No impact. The inventories are in form of land banks and stands. |
| Assets held for sale | Low impact. The subsidiary's performance may be affected by covid-19 statutory pronouncements, which in turn may affect its performance on the ZSE. |
| Financial securities | No impact. Values are largely affected by inflation, but face value is guaranteed by government. |
| Preference shares | No impact. These have the terms of a fixed term loan. |
| Local shares | Moderate impact. When there is a general slowdown in the economy, company valuations are affected by slow business. |
| Debt Asset conversion | The underlying asset to the contract gives guidance on valuation. Low impact because the asset will always have a higher value than the contract. |
| Loans and advances | Low to moderate impact. Clients may experience challenges in servicing their obligations due to the increasingly difficult economic environment as a result of Covid-19 containment measures. |
| Trade and other receivables | Moderate impact. Short credit cycles ensure minimal exposure to default. |
| Cash balances | No impact. Resources are readily available for use by the Group |
| Loans and borrowings | No impact. Obligations are valid as they are. |
| Treasury bills in issue | No impact. Government guaranteed paper |
| Payables | No impact. Obligations are valid as they are. |

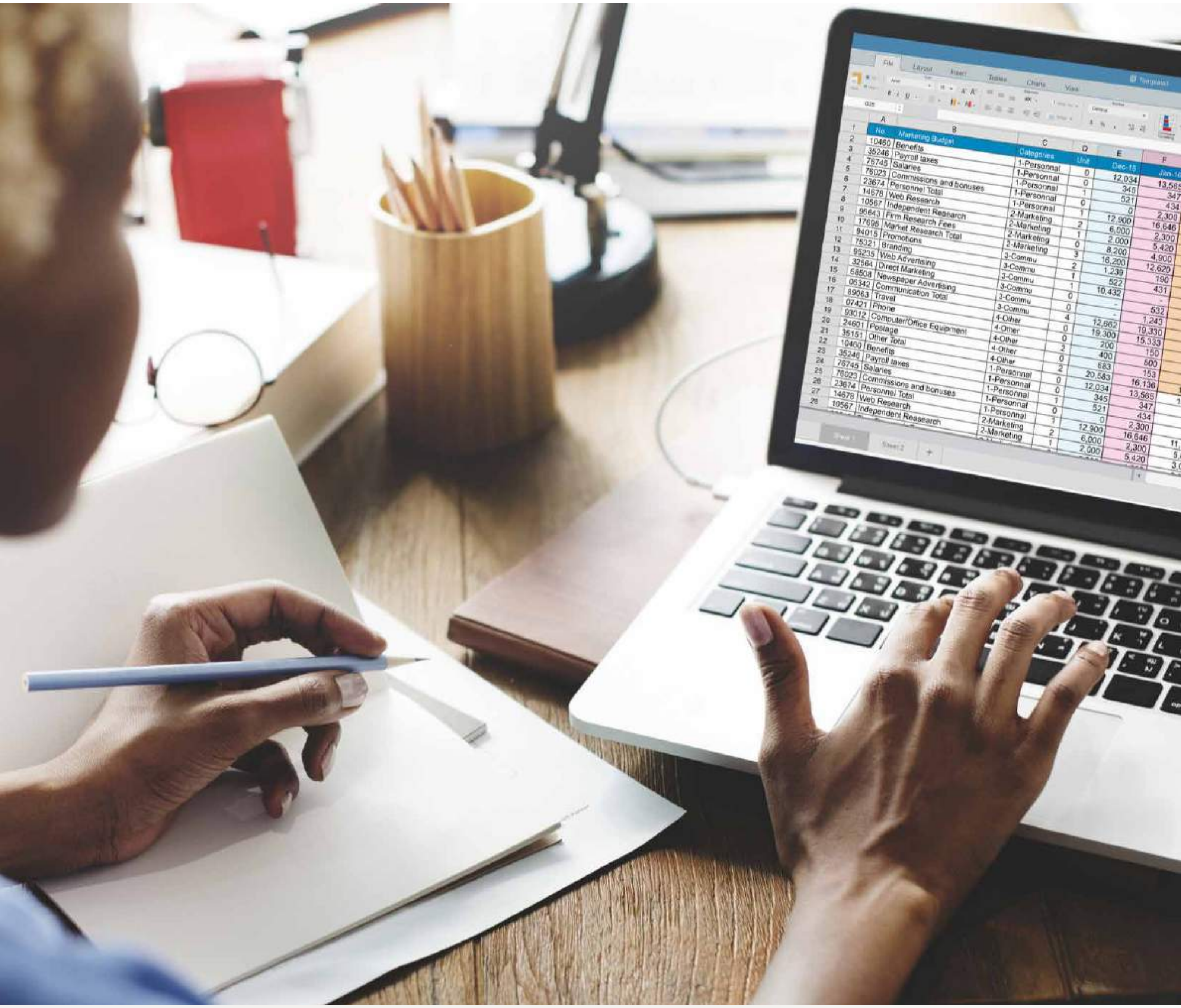
## SALE OF STAR AFRICA CORPORATION

The Group disposed of its entire shareholding in Star Africa Corporation, with the transaction obtaining requisite regulatory approvals in September 2021. The shares were disposed of at a value of $0.398 per share, which resulted in receipts amounting to $1.098 billion.

## 36. GOING CONCERN

The continued prevalence of the Covid-19 pandemic casts significant uncertainty on the operating environment in general. However, the Group management assessed the impact of the pandemic, financial performance, maturity profile for its financial assets and liabilities, cashflow management, support from the Government and RBZ, and concluded that the entity will continue to realise its assets and liabilities in the ordinary course of business.

Accordingly, these financial statements are therefore prepared on a going concern basis.



ZAMCO COMPANY

# FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020

## Contents

# DIRECTORS' REPORT
For the year ended 31 December 2020

The Directors of Zimbabwe Asset Management Corporation have pleasure in submitting their report for the financial year ended 31 December 2020.

## 1. NATURE OF BUSINESS

**1.1 Zimbabwe Asset Management Corporation ("ZAMCO", "the corporation", "the entity") was established in 2014 as a private entity.**

**The functions of ZAMCO, in accordance with the Banking Amendment Act (2015), are as follows:**

To acquire, reschedule, dispose of, hold, manage, or otherwise settle non-performing loans of banking institutions;
Manage, acquire, restructure and dispose of distressed or problem or failed banking institutions, on the direction of the Reserve Bank; and
To perform other functions related to the acts mentioned in paragraphs a) and b) above.

## 2. DIRECTORS' RESPONSIBILITY STATEMENT

The Directors are responsible for the preparation and integrity of financial statements that present the state of affairs of ZAMCO as at 31 December 2020. These include statements of profit or loss and other comprehensive income, financial position, cash flows and changes in equity for the year then ended and information contained in this report.

In order to meet the above requirements, the Directors are responsible for maintaining adequate accounting records and internal controls to safeguard the assets of ZAMCO and to prevent and detect fraudulent activities. The internal control systems were implemented and monitored by suitably trained personnel with appropriate segregation of authority and duties. Nothing has come to the attention of the Directors to indicate that any material breakdown in the functioning of these controls, procedures and systems has occurred during the year under review.

**Compliance with Local Legislation**

These financial statements comply with the Companies Act (Chapter 24.03), and have been prepared to comply with the Statutory Instrument 33 of 2019, issued on 22 February 2019 and the guidance issued by the Public Accountants and Auditors Board (PAAB) on 21 March 2019. Statutory Instrument 33 of 2019 specified that for accounting and other purposes, all assets and liabilities that were immediately before the effective date valued in United States Dollars, shall on and after the effective date, ( 22 February 2019) be deemed to be valued in RTGS dollars at a rate of one-to-one to the United States Dollar.

Further, on 24 June 2019, Statutory Instrument 142 of 2019 introduced the Zimbabwean Dollar (ZWL) which is at par with the bond notes and RTGS dollars, that is to say each bond note unit and each RTGS dollar is equivalent to a Zimbabwe Dollar. The ZWL has been adopted as the Functional and Reporting currency of ZAMCO as at 31 December 2020.

# DIRECTORS' REPORT
For the year ended 31 December 2020

**Compliance with IFRS**

The financial statements have been prepared to take account of the effects of inflation in accordance with IAS 29, Financial Reporting in Hyperinflationary Economies. These financial statements are prepared in order to comply with International Financial Reporting Statements (IFRS), as issued by the International Accounting Standards Board (IASB). The historic cost financial statements are presented herein as supplementary information, ZAMCO's external auditors have not expressed an opinion on this historic financial information due to its non-compliance with IAS 29.

Pursuant to the recognition of the RTGS dollar as currency in Zimbabwe in February 2019 and as reported in these financial statements, ZAMCO adopted the change in functional currency translation guidelines prescribed by Statutory Instrument (S.I.) 33 of 2019, which prescribed parity between the RTGS dollar and the US dollar for certain balances. In our opinion and based on the guidance issued by the Public Accountants and Auditors Board (PAAB), the change in functional currency translation guidelines prescribed by S.I.33 of 2019 and adopted in preparing these financial statements, for the year ended 31 December 2019, to comply with statutory requirements created inconsistencies with International Accounting Standard (IAS) 21 (The effects of changes in foreign exchange rates) as well as with the principles in the IFRS Conceptual Framework. The effects of these inconsistencies have been carried over into the year ended 31 December 2020. This has resulted in the accounting treatment adopted in the 2020 Financial Statements being different from that which the Directors would have adopted if the entity had been able to fully comply with IFRSs.

The audited financial statements are presented in Zimbabwean Dollars (ZWL). These were audited by our independent auditors, Ernst & Young, who were given unrestricted access to all the accounting records and supporting documentation.

## 3. BOARD MEMBERS AND COMMITTEES

The following is the composition of the ZAMCO Board of Directors, as well as the various board committees. The Board is made up of non-executive directors only.

# DIRECTORS' REPORT
For the year ended 31 December 2020

| SN | NAME | DESIGNATION | STATUS |
|---|---|---|---|
| 1 | Mr. B. Mswaka | Board Chairperson<br>Chairperson – HR* Committee<br>Committee Member : Credit and Debt Restructuring Committee | Independent Non-Executive Director |
| 2 | Dr. J. T. Chipika | Committee Member : Audit Committee | Non-Executive Director |
| 3 | Mr. A. Saburi | Committee Member : HR* & Credit and Debt Restructuring Committees | Non-Executive Director |
| 4 | Mr. N. Mataruka | Committee Member : HR* & Credit and Debt Restructuring Committees | Independent Non-Executive Director<br>Retired w.e.f 31 March 2020 |
| 5 | Mr.E.M. Zvandasara | Committee Member : Audit Committee | Non-Executive Director |
| 6 | Mrs. V. Nyemba | Committee Member: Audit & Credit and Debt Restructuring Committees | Independent Non-Executive Director |
| 7 | Mr. D. Psillos | Committee Member : Credit and Debt Restructuring Committee | Independent Non-Executive Director |
| 8 | Mr. S.T. Biyam | Committee Member: Audit & Credit and Debt Restructuring Committees | Independent Non-Executive Director |
| 9 | Mr. R.G. Muirimi | Chairperson – Credit and Debt Restructuring Committee | Independent Non-Executive Director |
| 10 | Mr. V. Vuma | Committee Member : HR* & Credit and Debt Restructuring Committees | Independent Non-Executive Director |

* Human Resources

* Mr. N. Mataruka retired from the ZAMCO Board in March 2020, but unfortunately passed on in July 2020

**The following were the Audit, Risk and Oversight Committee members for the entity.**

Mr. E. Zvandasara (Chairperson)
Dr. J. T. Chipika
Mr. S. T. Biyam
Mrs. V. Nyemba

The Audit, Risk and Oversight Committee committee met regularly with ZAMCO's external auditors and senior management to review accounting, auditing, internal control and financial reporting matters. The external auditors have unrestricted access to the Audit, Risk and Oversight Committee.

## 4. ACCOUNTING POLICIES

The accounting policies adopted by ZAMCO are set out in 'notes 3-5' to the financial statements.

## 5. RESULTS OF ZAMCO'S OPERATIONS

The corporation recorded a for the year of ZWL2,237,721,854 against a profit of ZWL8,521,173,499 from the 2019 financial year. The profit was as a result of normal ZAMCO operations during the period under review.

| | Inflation Adjusted | | Historical | |
|---|---|---|---|---|
| | 2020 | 2019 | 2020 | 2019 |
| | ZWL | ZWL | ZWL | ZWL |
| Total comprehensive profit | **2,237,721,854** | **8,521,173,499** | **2,661,139,592** | **546,579,506** |

## 6. IMPAIRMENT OF FINANCIAL ASSETS

An assessment for impairment was carried out as at 31 December 2020, resulting in a reversal of impairment being recorded for the period of $92 million in accordance with IFRS 9. The reversal was mainly a result of Agricultural portfolio which had initially been provided for, settling their accounts hence reducing the expected loss provision.

# DIRECTORS' REPORT
For the year ended 31 December 2020

## 7. GOING CONCERN

ZAMCO is a wholly owned subsidiary of the RBZ, created through the provisions of the RBZ Act, Section 57A. The Act gives ZAMCO a specific mandate and timeline for its operation. It further guides that at the end of its mandate, ZAMCO shall render an account of its assets and liabilities to the RBZ. ZAMCO uses Government Treasury Bonds to purchase NPLs. ZAMCO's operational funding is generated from interest on loans and advances, facility fee charges as well as disposal of investment properties held.

The Government of Zimbabwe directed that ZAMCO stop the purchase of any further NPLs. The RBZ is also committed to meeting ZAMCO's obligations in periods when ZAMCO has no capacity to meet these. From an assessment of assets held, ZAMCO has capacity to meet all its obligations when they fall due in the foreseeable future.

Accordingly, based on ZAMCO's financial performance, maturity profile for its financial assets and liabilities, cashflow management, support from the Government and RBZ, ZAMCO's management concludes that the entity will continue to realise its assets and liabilities in the ordinary course of business. These financial statements are therefore prepared on a going concern basis.

## 8. APPROVAL OF FINANCIAL STATEMENTS

The financial statements which appear on pages 88 to 141 were approved by the Directors on 1 March 2022 and the Directors authorised the following officials to sign the financial statements:

| | |
|---|---|
| BMswaka | Kanhai |
| Mr. B. Mswaka | Dr. C. Kanhai |
| Chairman of the Board | Chief Executive Officer |
| WMadera | Muzariri |
| Mr. W. Madera | Mr. T. Muzariri |
| Company Secretary | Chief Finance Officer |

Date: 6 April 2022

## STATEMENT OF PROFIT OR LOSS AND COMPREHENSIVE INCOME
For the year ended 31 December 2020

| | Notes | Restated | | Historical | |
|---|---|---|---|---|---|
| | | 2020 | 2019 | 2020 | 2019 |
| | | ZWL | ZWL | ZWL | ZWL |
| Interest revenue calculated using the effective interest method | 6.1 | 195,813,925 | 1,154,983,801 | 112,100,375 | 87,917,249 |
| Fee Income | 6.1 | 24,946,110 | 14,472,429 | 24,185,026 | 1,389,689 |
| Interest expense calculated using the effective interest method | 6.2 | (111,302,794) | (767,651,496) | (54,529,535) | (52,967,260) |
| Commission expense | 6.2 | (574,993) | (1,179,313) | (573,559) | (96,897) |
| Net interest and commission income | | 108,882,248 | 400,625,421 | 81,182,307 | 36,242,781 |
| Other Income | 6.3 | 327,297,787 | (556,393,541) | 719,576,984 | 65,547,790 |
| Operating Costs | 6.4 | (170,540,635) | (224,077,083) | (129,632,018) | (21,747,143) |
| Expected credit loss reversal | 7 | 92,283,584 | 499,784,155 | 92,283,584 | 111,408,745 |
| Investment property fair value adjustments | 17 | 679,014,799 | 712,198,248 | 1,897,728,735 | 355,127,333 |
| **Net monetary (loss)/gain** | | **1,200,784,071** | **7,689,036,299** | **-** | **-** |
| **Profit for the year** | | **2,237,721,854** | **8,521,173,499** | **2,661,139,592** | **546,579,506** |
| **Total Comprehensive Profit** | | **2,237,721,854** | **8,521,173,499** | **2,661,139,592** | **546,579,506** |

## STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2020

| | | Inflation Adjusted | | Historical | |
|---|---|---|---|---|---|
| | Notes | 2020 | 2019 | 2020 | 2019 |
| | | ZWL | ZWL | ZWL | ZWL |
| **Assets** | | | | | |
| Cash balances | 8 | 213,408,180 | 640,615,293 | 213,408,180 | 142,801,938 |
| Receivables | 9 | 9,811,878 | 12,101,034 | 6,421,405 | 2,654,033 |
| Loans and advances | 10.1 | 275,770,505 | 2,868,797,832 | 275,770,505 | 639,494,396 |
| Debt Asset Conversion | 10.2 | 35,466,994 | 169,645,627 | 35,466,994 | 37,816,338 |
| Preference Shares held | 10.3 | 3,364,363 | 10,987,842 | 3,364,363 | 2,449,341 |
| Local Shares | 11 | 830,903,630 | 505,360,632 | 830,903,630 | 112,651,818 |
| Financial Securities | 12 | 75,046,698 | 263,966,063 | 75,046,698 | 58,841,657 |
| Inventory | 15 | 1,588,723,159 | 72,003,613 | 999,685,787 | 8,589,034 |
| Assets under development | 16 | - | 168,688 | - | 37,603 |
| Investment Property | 17 | 1,718,287,908 | 2,155,536,270 | 1,718,287,908 | 480,498,608 |
| Property and equipment | 19 | 49,018,714 | 34,522,235 | 15,993,119 | 1,809,106 |
| **Total Assets** | | **4,799,802,029** | **6,733,705,129** | **4,174,348,589** | **1,487,643,872** |
| **EQUITY & LIABILITIES** | | | | | |
| **Capital & Reserves** | | | | | |
| Share capital | 20 | 27,864 | 27,864 | 1,000 | 1,000 |
| Share premium | 20 | 983,215,404 | 983,215,404 | 35,286,521 | 35,286,521 |
| Retained Earnings | 21 | 2,521,195,547 | 283,473,693 | 2,912,077,102 | 250,937,509 |
| | | **3,504,438,815** | **1,266,716,961** | **2,947,364,623** | **286,225,030** |
| **Liabilities** | | | | | |
| Payables | 22 | 45,851,749 | 78,555,505 | 45,851,749 | 17,511,100 |
| Loans and Borrowings | 23 | 158,248,630 | 694,130,012 | 158,248,630 | 154,731,103 |
| Treasury Bills In Issue | 24 | 1,020,338,179 | 4,602,080,519 | 1,020,338,179 | 1,025,866,888 |
| Deferred income | 25 | 70,924,656 | 92,222,132 | 2,545,408 | 3,309,751 |
| | | 1,295,363,214 | 5,466,988,168 | 1,226,983,966 | 1,201,418,842 |
| **Total Equity &Liabilities** | | **4,799,802,029** | **6,733,705,129** | **4,174,348,589** | **1,487,643,872** |

# DIRECTORS' REPORT
For the year ended 31 December 2020

These financial statements were prepared by the finance department of Zimbabwe Asset Management Corporation, under the direction and supervision of the Chief Finance Officer, Tatenda Muzariri (PAAB Number 04011).

Mr. B. Mswaka
Chairman of the Board

Dr.C.Kanhai
Chief Executive Officer

Mr. W. Madera
Company Secretary

Mr. T. Muzariri
Chief Finance Officer

Date: 6 April 2022

## STATEMENT OF CHANGES IN EQUITY

### INFLATION ADJUSTED

| | Share capital | Share Premium | Accumulated Profit/Loss | Total |
|---|---|---|---|---|
| | ZWL | ZWL | ZWL | ZWL |
| Balance at 31 December 2018 | 27,864 | 983,215,404 | (8,237,699,806) | (7,254,456,538) |
| Share premium | - | - | - | - |
| Profit for the year | - | - | 8,521,173,499 | 8,521,173,499 |
| **Balance at 31 December 2019** | **27,864** | **983,215,404** | **283,473,693** | **1,266,716,961** |
| Share premium | - | - | - | - |
| **Profit for the year** | **-** | **-** | **2,237,721,854** | **2,237,721,854** |
| | | | | - |
| **Balance at 31 December 2020** | **27,864** | **983,215,404** | **2,521,195,547** | **3,504,438,815** |

### HISTORICAL

| | Share capital | Share Premium | Accumulated Profit/Loss | Total |
|---|---|---|---|---|
| | ZWL | ZWL | ZWL | ZWL |
| Balance at 31 December 2018 | 1,000 | 35,286,521 | (295,641,997) | (260,354,476) |
| Share premium | - | - | - | - |
| Profit for the year | - | - | 546,579,506 | 546,579,506 |
| **Balance at 31 December 2019** | **1,000** | **35,286,521** | **250,937,509** | **286,225,030** |
| Share premium | - | - | - | - |
| **Profit for the year** | **-** | **-** | **2,661,139,593** | **2,661,139,593** |
| | | | | - |
| **Balance at 31 December 2019** | **1,000** | **35,286,521** | **2,912,077,102** | **2,947,364,623** |

## STATEMENT OF CASH FLOWS As at 31 December 2020

INFLATION ADJUSTED HISTORICAL

| | Notes | 2020 | 2019 | 2020 | 2019 |
|---|---|---|---|---|---|
| | | ZWL | ZWL | ZWL | ZWL |
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | | | | |
| Profit before taxation | | 2,237,721,854 | 8,521,173,499 | 2,661,139,593 | 546,579,506 |
| ***Adjustments for items not affecting cashflows*** | | | | | |
| Depreciation | | 2,080,522 | 3,931,801 | 1,471,883 | 325,958 |
| Interest and related income accruals | | (220,760,035) | (1,169,456,230) | (136,285,401) | (89,306,938) |
| Interest expense accruals | | 111,302,794 | 767,651,496 | 54,529,535 | 52,967,260 |
| Mark to market adjustments | | (325,542,998) | 583,204,665 | (718,251,812) | (61,761,710) |
| Fair value adjustment on investment property | | (679,014,799) | (712,198,248) | (1,897,728,735) | (355,127,333) |
| Allowance for credit loss | 7 | (92,283,584) | (499,784,155) | (92,283,584) | (111,408,745) |
| **Loss on the disposal of PPE** | | **139,348** | **209,123** | **109,201** | **43,848** |
| Monetary loss/(gain) | | (1,200,784,071) | (7,689,036,299) | - | - |
| **Net cash from operating activities** | | **(167,140,969)** | **1,230,092,148** | **-127,299,320** | **(17,688,154)** |
| (Increase) / Decrease in loans and receivables | 14 | 3,210,211,824 | 2,803,411,025 | 551,725,657 | 248,837,443 |
| (Increase) / Decrease in inventories | | (1,516,719,546) | (35,486,585) | (991,096,753) | (7,910,447) |
| Increase / (Decrease) in payables, loans and borrowings | 15 | (591,430,421) | 92,103,564 | 27,379,390 | 26,583,909 |
| Interest received | | 29,038,443 | 40,840,690 | 22,066,731 | 3,571,322 |
| Interest paid | | (109,754,987) | (723,957,718) | (50,815,092) | (49,280,079) |
| **Cash generated from operations** | | **854,204,344** | **3,407,003,124** | **(568,039,387)** | **204,113,994** |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | | | | |
| Investment property purchases | | (26,727,713) | (393,378,055) | (22,165,526) | (87,689,366) |
| Investment property disposals | | 1,142,990,874 | - | 682,104,961 | - |
| Purchase of property, plant and equipment | | (19,211,301) | (7,280,797) | (15,765,097) | (1,622,990) |
| Acquisition of portfolio investments | | - | (625,419,388) | - | (50,744,093) |
| **Net cash used in investing activities** | | **1,097,051,860** | **(1,026,078,240)** | **644,174,338** | **(140,056,449)** |
| **CASH FLOWS FROM FINANCING ACTIVITIES** | | | | | |
| Proceeds from Long Term Borrowings | | - | 625,419,388 | - | 50,744,093 |
| Repayment of Treasury bills | | (11,071,747) | (62,954,386) | (5,528,709) | (3,510,571) |
| **Net cash used in financing activities** | | **(11,071,747)** | **562,465,002** | **(5,528,709)** | **47,233,522** |
| **Net increase in cash and cash equivalents** | | **(1,630,486,136)** | **2,943,389,886** | **(70,606,242)** | **111,291,067** |
| **Cash & cash equivalents at beginning of the year** | | **640,615,293** | **878,011,563** | **142,801,938** | **31,510,871** |
| **Effects of inflation on cash and cash equivalents** | | **(2,367,391,570)** | **(3,180,786,156)** | **-** | **-** |
| **Cash and cash equivalents at end of the year** | 8 | **213,408,180** | **640,615,293** | **213,408,180** | **142,801,938** |

# NOTES TO THE COMPANY FINANCIAL STATEMENTS
For the year ended 31 December 2020

## 1. REPORTING ENTITY

The Zimbabwe Asset Management Corporation is an entity incorporated under the Companies Act [Chapter 24:03]. It is incorporated and domiciled in Zimbabwe. ZAMCO's registered office is 5th Floor, Hardwicke House, 72-74 Samora Machel Avenue, Harare.

### 1.1 Nature of business

*The functions of ZAMCO are as follows:*

a) To acquire, reschedule, dispose of, hold, manage, or otherwise settle non-performing loans of banking institutions;

b) Manage, acquire, restructure and dispose of distressed or problem or failed banking institutions, on the direction of the Reserve Bank; and

c) To perform other functions related to the acts mentioned in paragraphs a) and b) above.

## 2. BASIS OF PREPARATION

ZAMCO's financial results have been prepared under policies consistent with the requirements of the Companies Act (Chapter 24.03). The financial results have been restated take account of inflation in accordance with IAS 29, Financial Reporting in Hyperinflationary Economies. ZAMCO prepares financial statements with the aim to comply fully with International Financial Reporting Standards (IFRS). IFRS compliance is intended to achieve consistency and comparability of financial statements. However, it has been impracticable to comply fully with IFRS in the current and prior year, due to the need to comply with local legislation, specifically Statutory Instrument 33 of 2019. The Directors are of the view that the requirement to comply with the Statutory Instrument has created inconsistencies with International Accounting Standard (IAS) 21 (The effects of changes foreign exchange rates) as well as with the principles in the IFRS Conceptual Framework. This has resulted in the accounting treatment adopted in the 2019 and 2020 Financial Statements being different from that which the Directors would have adopted if ZAMCO had been able to comply fully with IFRS.

**Change in functional currency**

In February 2019, the Reserve Bank of Zimbabwe announced a monetary policy statement whose highlights among other issues were:

- Denomination of real time gross settlement (RTGS) balances, bond notes and coins collectively as RTGS dollars. RTGS dollars became part of the multi-currency system.
- Indicated that RTGS dollars were to be used by all entities (including the Government) and individuals in Zimbabwe for purposes of pricing of goods and services, record debts, accounting and settlement of domestic transactions.
- Establishment of an inter-bank foreign exchange market where the exchange rate would be determined on a willing buyer willing seller basis.

The monetary policy announcement was followed by the publication of Statutory Instrument (S.I.) 33 of 2019 on 22 February 2019. The statutory instrument gave legal effect to the introduction of the RTGS dollar as legal tender and prescribed that for accounting and other purposes, certain assets and liabilities on the effective date would be deemed to be RTGS dollars at a rate of 1: 1 to the US dollar and would become opening RTGS dollar values from the effective date. As a result of the currency changes announced by the monetary authorities, the Directors assessed as required by International Accounting Standard (IAS) 21, The Effects of Changes in Foreign Exchange Rates and consistent with the guidance issued by the Public Accountants and Auditors Board (PAAB) whether use of the United States dollar as the functional and reporting currency remained appropriate. Based on the assessment, the Directors concluded that the entity's transactional and functional currency had changed to the RTGS dollar. ZAMCO adopted the RTGS dollar as the new functional and reporting currency with effect from 22 February 2019 using the interbank midrate of US$1: ZWL2.5.

Further, on 24 June 2019, Statutory Instrument 142 of 2019 introduced the Zimbabwean Dollar (ZWL) which is at par with the bond notes and RTGS dollars, that is to say each bond note unit and each RTGS dollar is equivalent to a Zimbabwe Dollar. In this regard, these financial statements are therefore presented in ZWL, for both 2019 and 2020, being the currency of the primary economic environment in which the entity operates.

### 2.1 Financial Reporting Presentation

ZAMCO presents its statement of financial position in order of liquidity.

### 2.2 Use of estimates and judgments

The preparation of the financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the year in which the estimate is revised if the revision affects only that year or in the year of revision and future years if the revision affects both current and future years. Management judgment was used in the application of accounting policies that have a significant effect on the financial statements and on estimates with a significant risk of material adjustments in the subsequent year

Information about significant areas of estimation, uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements are described in note 5, to the financial statements.

### 2.3 Application of IAS 29 (Financial Reporting in Hyperinflationary Economies)

During the reporting period, the economy continued to face significant inflationary pressures as evidenced by a rising Consumer Price Index (CPI). The high year-on year inflation amongst other indicators outlined in IAS 29 resulted in a consensus within the accounting and auditing profession that the Zimbabwe economy had met the characteristics of a hyperinflationary economy. The PAAB confirmed this market consensus and issued a pronouncement in October 2019 prescribing application of inflation accounting for reporting periods ended on or after 1 July 2019.

These results have been prepared in accordance with IAS 29 which requires that the financial statements of any entity whose functional currency is the currency of a hyperinflationary economy be stated in terms of the measuring unit current at the reporting date and that corresponding figures for the previous period also be restated in terms of the same measuring unit. ZAMCO adopted the Zimbabwe consumer price index (CPI) compiled by Zimbabwe National Statistics Agency (ZIMSTAT) as the general price index to restate transactions and balances as appropriate. The indices and conversion factors used to restate these financials are given below.

| Dates | Indices | Conversion Factors |
|---|---|---|
| **31 December 2020** | 2,474.510 | 1.000 |
| **31 December 2019** | 551.625 | 4.48604 |
| **31 December 2018** | 88.080 | 27.8638 |

The procedures applied in the above restatement of transactions and balances are as follows:

- All comparative figures as of and of the year ended 31 December 2019 were restated by applying the change in the index from 31 December 2018 to 31 December 2020.
- Restated retained earnings was derived from all the other amounts in the restated statement of financial position
- Monetary assets and liabilities were not restated because they are already stated in terms of the measuring unit current at the reporting date.
- Non-monetary assets and liabilities that are not carried at amounts current at the reporting date and components of shareholders equity were restated by applying the change in the index from the date of the transaction or if applicable from the date of their most recent revaluation to 31 December 2020.
- Items recognised in the income statement have been restated by applying the change in the general price index from the dates when the transactions were initially earned or incurred. Depreciation and amortisation amounts are based on the restated costs or carrying amounts.
- Income statement items/transactions, except for depreciation and amortisation charges explained above, are restated by applying the monthly index for the year ended 31 December 2020.
- Gains and losses arising from the net monetary position are included in the statement of profit or loss and in the statement of cash flows as non-cash items.
- All items in the statement of cash flows are expressed in terms of the general price index at the end of the reporting period.
- The inflation effects on cash and cash equivalents were shown separately in the reconciliation of cash and cash equivalents.

Historical financial statements have been presented for information purposes only, although IAS 29 discourages their publication.

## 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### 3.1 Revenue recognition

Revenue is the increase in economic benefits arising in the course of ZAMCOs ordinary activities during the accounting period in the form of inflows or enhancements of assets or decreases of liabilities that result in an increase in equity, other than those relating to contributions from equity participants.

### 3.1.1 Interest income

Interest income arises from ZAMCO's lending and money market activities. It is accrued on a time apportionment basis, by reference to the principal outstanding and at the interest rate applicable to the instrument as further explained in note 4.1.10.

### 3.1.2 Facility fee income

ZAMCO recognises fees on an accrual basis from loan restructuring services in accordance with the substance of the underlying transaction. The fees are amortised over the lifespan of the restructured loan.

### 3.1.3 Dividend income

Dividend income from investments is recognised when ZAMCO's rights to receive the dividend have been established.

## 3.2 Functional and presentation currency

These financial statements are presented in Zimbabwean Dollars being the currency of the primary economic environment in which the entity operates after the issuance of SI33 of 2019 marked the return of the Zimbabwe Dollar.

## 3.3 Transactions and balances

Following SI33 of 2019, all previously held USD balances were converted as 1:1 to Zimbabwean Dollars.

Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rate of exchange at the reporting date. All differences arising on settlement or translation of monetary items are taken to the statement of profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. The gain or loss arising on translation of non-monetary items is treated in line with the recognition of gain or loss on change in fair value of the item (i.e. translation differences on items whose fair value gain or loss is recognized in other comprehensive income or the statement of profit or loss is also recognized in other comprehensive income or the statement of profit or loss, respectively).

## 3.3 Employee benefits

### 3.3.1 Retirement benefit costs

ZAMCO contributes towards a defined contribution plan. Contributions to this plan are recognised as an expense in the statement of profit or loss and other comprehensive income in the periods in which services are rendered by the employees.

### 3.3.2 Pension scheme

ZAMCO and its employees contribute 15% and 6% of pensionable earnings respectively to the Fintrust Pension Fund. Employer and employees contribute towards the mandatory National Social Security's Pension Scheme. The funds are defined contribution funds, the assets of which are held in a separate trustee-administered fund.

### 3.3.3 Termination benefits

Termination benefits are recognised as an expense when ZAMCO is committed, without

## NOTES TO THE COMPANY FINANCIAL STATEMENTS
For the year ended 31 December 2020

realistic possibility of withdrawal, to a formal detailed plan to terminate employment before the normal retirement date, or to provide termination benefits as a result of an offer made to encourage voluntary redundancy. Termination benefits for voluntary redundancies are recognised as an expense if ZAMCO has made an offer encouraging voluntary redundancy, it is probable that the offer will be accepted, and the number of acceptances can be estimated reliably.

### 3.3.4 Short term benefits

Short term benefits consist of salaries, accumulated leave payments and any non-monetary benefits such as medical aid contributions. Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

A liability is recognised for the amount expected to be paid under accumulated leave if ZAMCO has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

### 3.4 Taxation

ZAMCO is exempt from Income Tax and Capital Gains Tax in terms of the Income Tax Act (Chapter 23:06) and the Capital Gains Tax Act (Chapter 23:01) respectively.

### 3.5 Property and equipment

Land and buildings held for use in the provision and supply of services, or for administrative purposes, are initially measured at cost and subsequently stated in the statement of financial position at their revalued amounts, being the fair value at the reporting date, determined from market-based evidence by appraisal undertaken by independent professional valuers, less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

Revaluations are performed with sufficient regularity such that the carrying amount does not differ materially from the fair value determined at the reporting date. Property and equipment are revalued after three years in accordance with the Audit, Risk and Oversight Committee guidelines. Any revaluation increase arising on the revaluation of buildings is credited to the revaluation reserve, except to the extent that it reverses a revaluation decrease for the same assets previously recognised as an expense, in which case the increase is credited to profit or loss to the extent of the decrease previously charged.

A decrease in carrying amount is charged as an expense to the extent that it exceeds the balance, if any, held in revaluation reserve relating to a previous revaluation of that asset.

Depreciation on revalued buildings is charged to profit or loss. On the subsequent sale or retirement of a revalued property, the attributable revaluation surplus remaining in the properties revaluation reserve is transferred directly to the accumulated fund.

Furniture, equipment and motor vehicles are stated at acquisition cost less accumulated depreciation and impairment losses.

Depreciation is charged so as to write off the acquisition cost or valuation of assets, other than land and buildings under construction, over their estimated useful lives to their residual values, using the straight line method, on the following basis:

| | |
|---|---|
| Buildings | 50 Years |
| Computer Equipment | 4 Years |
| Computer Software | 4 Years |
| Office Equipment | 4 Years |
| Furniture and Fittings | 10 Years |
| Motor vehicles | 5 Years |

The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised as income or expense in profit or loss.

### 3.5.1 Property Valuation

ZAMCO's Property valuations rely on available market evidence as input for calculating fair values. This includes transaction prices for comparable properties, rents and capitalisation rates. The market information available during the period under review was largely denominated in the US$ currency. As such the valuers relied on US$ based evidence and produced valuations which are denominated in that currency. The entity adopted the approach of converting the resultant US$ valuations at the official exchange rate on the date of valuation, to calculate ZWL property values which were then included in the 2020 Financial Statements.

### 3.6.1 Financial instruments

Financial assets and financial liabilities are recognised in ZAMCO's balance sheet when ZAMCO becomes a party to the contractual provisions of the instrument.

Recognised financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at FVTPL) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognised immediately in profit or loss.

If the transaction price differs from fair value at initial recognition, ZAMCO will account for such difference as follows:

- if fair value is evidenced by a quoted price in an active market for an identical asset or liability or based on a valuation technique that uses only data from observable markets, then the difference is recognised in profit or loss on initial recognition (i.e. day 1 profit or loss);
- in all other cases, the fair value will be adjusted to bring it in line with the transaction price (i.e. day 1 profit or loss will be deferred by including it in the initial carrying amount of the asset or liability).

After initial recognition, the deferred gain or loss will be released to profit or loss on a rational basis, only to the extent that it arises from a change in a factor (including time) that market participants would consider when pricing the asset or liability.

### 3.6.1.1 Financial Assets and Financial Liabilities

ZAMCO classifies its financial instruments in the following categories: at fair value through profit and loss ("FVTPL"), at fair value through other comprehensive income ("FVTOCI") or at amortized cost. ZAMCO determines the classification of financial assets at initial recognition. The classification of debt instruments is driven by ZAMCO's business model for managing the financial assets and their contractual cash flow characteristics.

Equity instruments that are held for trading are classified as FVTPL, for other equity instruments, ZAMCO can make an irrevocable election (on an instrument-by-instrument basis) to designate them as at FVTOCI. Financial liabilities are measured at amortized cost, unless they are required to be measured at FVTPL (such as instruments held for trading or derivatives) or ZAMCO has opted to measure them at FVTPL.

**3.6.1.2 Classification and Measurement of financial instruments**

The measurement category and the carrying amount of financial assets and liabilities was done in accordance with IFRS 9.

**3.6.1.3 Measurement**

**3.6.1.3.1 Financial assets at FVTOCI**

Elected investments in equity instruments at FVTOCI are initially recognized at fair value plus transaction costs. Subsequently they are measured at fair value, with gains and losses arising from changes in fair value recognized in other comprehensive (loss) income.

**3.6.1.3.2 Financial assets and liabilities at amortized cost**

Financial assets and liabilities at amortized cost are initially recognized at fair value, and subsequently carried at amortized cost less any impairment.

**3.6.1.3.3 Financial assets and liabilities at FVTPL**

Financial assets and liabilities carried at FVTPL are initially recorded at fair value and transaction costs are expensed in the statement of comprehensive income. Realized and unrealized gains and losses arising from changes in the fair value of the financial assets and liabilities held at FVTPL are included in the statement of comprehensive income in the period in which they arise. Where management has opted to recognize a financial liability at FVTPL, any changes associated with the entity's own credit risk will be recognized in other comprehensive (loss) income.

ZAMCO considers the following as constituting an event of default:

- the financial asset is past due more than 90 days on any material credit obligation to ZAMCO; or
- the financial asset is unlikely to pay its credit obligations to ZAMCO in full.

The definition of default is appropriately tailored to reflect different characteristics of different types of assets. When assessing if the borrower is unlikely to pay its credit obligation, ZAMCO considers both qualitative and quantitative indicators. The information assessed depends on the type of the asset and sources of information to assess default which are either developed internally or obtained from external sources.

**3.6.1.4.1 Significant increase in credit risk**

ZAMCO monitors all financial assets, contracts that are subject to the impairment requirements to assess whether there has been a significant increase in credit risk since initial recognition. If there has been a significant increase in credit risk ZAMCO will measure the loss allowance based on lifetime rather than 12-month ECL.

ZAMCO's accounting policy is to use the practical expedient that financial assets with 'low' credit risk at the reporting date are deemed not to have had a significant increase in credit risk.

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, ZAMCO compares the risk of a default occurring on the financial instrument at the reporting date based on the remaining maturity of the instrument with the risk of a default occurring that was anticipated for the remaining maturity at the current reporting date when the financial instrument was first recognised. In making this assessment, ZAMCO considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort, based on the ZAMCO's historical experience and expert credit assessment including forward-looking information.

#### 3.6.1.4.1 Significant increase in credit risk

Multiple economic scenarios form the basis of determining the probability of default at initial recognition and at subsequent reporting dates. Different economic scenarios will lead to a different probability of default. It is the weighting of these different scenarios that forms the basis of a weighted average probability of default that is used to determine whether credit risk has significantly increased.

#### 3.6.1.4.2 Write-off

Financial assets are written off when ZAMCO has no reasonable expectations of recovering the financial asset (either in its entirety or a portion of it). This is the case when ZAMCO determines that the borrower does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. A write-off constitutes a derecognition event.

#### 3.6.1.4.3 Presentation of allowance for ECL in the statement of financial position

Loss allowances for ECL are presented in the statement of financial position for financial assets measured at amortised cost: as a deduction from the gross carrying amount of the assets.

### 3.6.1.5 Derecognition

#### 3.6.1.5.1 Financial assets

ZAMCO derecognizes financial assets only when the contractual rights to cash flows from the financial assets expire, or when it transfers the financial assets and substantially all the associated risks and rewards of ownership to another entity. Gains and losses on derecognition are generally recognized in the statement of comprehensive. However, gains and losses on derecognition of financial assets classified as FVTOCI remain within the accumulated other comprehensive (loss) income.

ZAMCO derecognizes financial liabilities only when its obligations under the financial liabilities are discharged, cancelled or expired. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognized in the statements of comprehensive income.

### 3.6.1.6 Fair Values

Fair values have been determined for measurement and/or disclosure purposes based on the following methods.

ZAMCO characterizes inputs used in determining fair value using a hierarchy that prioritizes inputs depending on the degree to which they are observable. The three levels of the fair value hierarchy are as follows:

* Level 1: fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;
* Level 2: fair value measurements are those derived from inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
* Level 3: fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The carrying values of cash and cash equivalents, accounts receivable, and accounts payable and accrued liabilities approximated their fair values because of the short-term nature of these financial instruments. The carrying values of receivables, approximated their fair values because the carrying values represented the amounts that ZAMCO would receive or pay if those financial instruments were to settle as of 31 December 2020.

The carrying value of unquoted securities was based on unobservable inputs in calculating the fair value. The value of the shares as at 31 December 2020 was therefore considered to be Level 3.

### 3.6.1.7 Use of Judgements and Estimates

The preparation of the financial statements in accordance with IFRS requires ZAMCO to make estimates and assumptions that affect the reported amounts of assets, liabilities, fund income and expenses and disclosure of contingent resources and contingent liabilities. Future events may occur which will cause the assumptions used in arriving at the estimates to change.

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. While the estimates are based on the most reliable data available, actual results, in the near term, could differ significantly from those estimates depending upon certain events and uncertainties, including:

### 3.6.1.7 Use of Judgements and Estimates

The timing and extent of losses ZAMCO incurs as a result of future failures of

- Balance disputes;
- Entities that are closed;
- The ability to recover its receivables;
- Expectations of the liquidation of entities; and
- The probability of recovery through successful lawsuits as appropriate against relevant parties.

The following are the critical judgements, apart from those involving estimations, that the directors have made in the process of applying ZAMCO's accounting policies and that have the most significant effect on the amounts recognised in financial statements:

Business model assessment: Classification and measurement of financial assets depends on the results of the SPPI and then business model test. ZAMCO determines the business model at a level that reflects how groups of financial assets are managed together to achieve a particular business objective. This assessment includes judgement reflecting all relevant evidence including how the performance of the assets is evaluated and their performance measured, the risks that affect the performance of the assets and how these are managed. ZAMCO monitors financial assets measured at amortised cost or fair value through other comprehensive income that are derecognized prior to their maturity to understand the reason for their disposal and whether the reasons are consistent with the objective of the business for which the asset was held.

Monitoring is part of ZAMCO's continuous assessment of whether the business model for which the remaining financial assets are held continues to be appropriate and if it is not appropriate whether there has been a change in business model and so a prospective change to the classification of those assets.

- Significant increase of credit risk: As explained in note above, ECL are measured as an allowance equal to 12-month ECL for stage1 assets, or lifetime ECL assets for stage 2 or stage 3 assets. An asset moves to stage 2 when its credit risk has increased significantly since initial recognition. IFRS 9 does not define what constitutes a significant increase in credit risk. In assessing whether the credit risk of an asset has significantly increased ZAMCO considers qualitative and quantitative reasonable and supportable forward-looking information. Refer to note 1 and note 3 for more details.

- Establishing groups of assets with similar credit risk characteristics: When ECLs are measured on a collective basis, the financial instruments are grouped on the basis of shared risk characteristics. ZAMCO monitors the appropriateness of the credit risk characteristics on an ongoing basis to assess whether they continue to be similar. This is required in order to ensure that should credit risk characteristics change there is appropriate re-segmentation of the assets. This may result in new portfolios being created or assets moving to an existing portfolio that better reflects the similar credit risk characteristics of that group of assets. Resegmentation of portfolios and movement between portfolios is more common when there is a significant increase in credit risk (or when that significant increase reverses) and so assets move from 12-month to lifetime ECLs, or vice versa, but it can also occur within portfolios that continue to be measured on the same basis of 12-month or lifetime ECLs but the amount of ECL changes because the credit risk of the portfolios differ.

Models and assumptions used: ZAMCO uses various models and assumptions in measuring fair value of financial assets as well as in estimating ECL. Judgement is applied in identifying the most appropriate model for each type of asset, as well as for determining the assumptions used in these models, including assumptions that relate to key drivers of credit risk.

**1. Trade receivables**

In coming up with the ECL on financial assets, management considered the nature of ZAMCO's debtors, the historical performance of the debtors, and current and forward-looking information. The general approach as permitted by IFRS 9 was used in computing ECL on trade debtors.

2. **Staff Receivables**

Staff loans are not collateralized, which has the effect of increasing the ECL on the loans. In computing probabilities of default, management decided to make use of RBZ default rates on personal loans and staff turnover ratios for the entity. Staff debtors are however considered to be low risk as the repayments are deducted at source.

### 3.6.1.8 Income

**Interest Income**

Interest income for all financial instruments except for those designated as at FVTPL is recognised as 'Interest income' in the profit or loss account using the effective interest method. Interest on financial instruments measured as at FVTPL is included within the fair value movement during the period.

The effective interest rate (EIR) is the rate that exactly discounts estimated future cash flows of the financial instrument through the expected life of the financial instrument or, where appropriate, a shorter period, to the net carrying amount of the financial asset or financial liability. The future cash flows are estimated considering all the contractual terms of the instrument. The calculation of the EIR includes all fees and points paid or received between parties to the contract that are incremental and directly attributable to the specific lending arrangement, transaction costs, and all other premiums or discounts. For financial assets at FVTPL transaction costs are recognised in profit or loss at initial recognition.

The interest income is calculated by applying the EIR to the gross carrying amount of non-credit impaired financial assets (i.e. at the amortised cost of the financial asset before adjusting for any expected credit loss allowance), or to the amortised cost of financial liabilities. For credit-impaired financial assets the interest income is calculated by applying the EIR to the amortised cost of the credit-impaired financial assets (i.e. the gross carrying amount less the allowance for expected credit losses (ECLs)). For financial assets originated or purchased credit-impaired (POCI) the EIR reflects the ECLs in determining the future cash flows expected to be received from the financial asset.

**Income from financial instruments at FVTPL**

Income from financial instruments at FVTPL includes all gains and losses from changes in the fair value of financial assets and financial liabilities at FVTPL. ZAMCO has elected to present the full fair value movement of assets and liabilities at FVTPL, including the related interest income, expense and dividends.

### 3.7.1 Investment Property

Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the reporting date. Gains or losses arising from changes in the fair values of investment properties are included in profit or loss in the period in which they arise, including the corresponding tax effect.

**3.7.1 Investment Property (Continued)**

Fair values are determined based on an annual valuation performed by an accredited external independent consultant applying a valuation model recommended by the International Valuation Standards Committee.

Investment properties are derecognised either when they have been disposed of (i.e. at the date the recipient obtains control) or when they are permanently withdrawn from use and no future economic benefit is expected from their disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognised in profit or loss in the period of derecognition. The amount of consideration to be included in the gain or loss arising from the derecognition of investment property is determined in accordance with the requirements for determining the transaction price in IFRS 15.

Transfers are made to (or from) investment property only when there is a change in use. For a transfer from investment property to owner-occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner-occupied property becomes an investment property, the entity accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use.

**3.8 Inventories**

Inventories are valued at the lower of cost and net realisable value. Costs incurred in bringing each product to its present location and conditions are accounted for as follows:

- Raw materials: weighted average method.
- Finished goods and work in progress: cost of direct materials and labour and a proportion of overheads based on the normal operating capacity, but excluding borrowing costs.
- Consumables: weighted average method.

Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

**3.8 Cash and short-term deposits**

Cash and short term deposits in the statement of financial position comprise cash at banks and on hand as well as short term deposits with a maturity of three months or less, which are subject to insignificant risk of changes in value. For the purpose of statement of cashflows, cash and cash equivalents consist of cash and short term deposits as defined above. Cash falls into debt instruments category and is accounted for at amortized cost.

## 4. NEW AND AMENDED STANDARDS

The new and amended standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Company's financial statements are disclosed below. The Company intends to adopt these standards, if applicable, when they become effective.

**IFRS 17 Insurance contracts**

In May 2017, the IASB issued IFRS 17 Insurance Contracts (IFRS 17), a comprehensive new accounting standard for insurance contracts,

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For the year ended 31 December 2020

covering recognition and measurement, presentation and disclosure. Once effective, IFRS 17 will replace IFRS 4 Insurance Contracts (IFRS 4). IFRS 17 applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. IFRS 17 is effective for reporting periods beginning on or after 1 January 2023, with comparative figures required. This standard is not applicable to the Company.

**Amendments to IAS 1: *Classification of Liabilities as Current or Non-current***
In January 2020, the IASB issued amendments to paragraphs 69 to 76 of IAS 1 to specify the requirements for classifying liabilities as current or non-current. The amendments clarify:

- What is meant by a right to defer settlement
- That a right to defer must exist at the end of the reporting period
- That classification is unaffected by the likelihood that an entity will exercise its deferral right
- That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification.

The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and must be applied retrospectively. The Company is currently assessing the impact the amendments will have on current practice and whether existing loan agreements may require renegotiation.

**Property, Plant and Equipment: Proceeds before Intended Use – *Amendments to IAS 16***
In May 2020, the IASB issued Property, Plant and Equipment — Proceeds before Intended Use, which prohibits entities deducting from the cost of an item of property, plant and equipment, any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling such items, and the costs of producing those items, in profit or loss.

The amendment is effective for annual reporting periods beginning on or after 1 January 2022 and must be applied retrospectively to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented when the entity first applies the amendment. The amendments are not expected to have a material impact on the Company.

## 4.1 STANDARDS IN ISSUE BUT NOT YET EFFECTIVE (Continued)

**IFRS 9 *Financial Instruments* – Fees in the '10 per cent' test for derecognition of financial liabilities**
As part of its 2018-2020 annual improvements to IFRS standards process the IASB issued amendment to IFRS 9. The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf.

An entity applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment.

The amendment is effective for annual reporting periods beginning on or after 1 January 2022 with earlier adoption permitted. The Company will apply the amendments to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment. The amendments are not expected to have a material impact on the Company.

### 4.2 Early adoption of issued but not yet effective standards

The Company did not opt to adopt early the various standards and interpretations that are in issue but not yet effective, as such they do not have an impact on the disclosures herein contained. The Company is currently assessing the impact of the standards yet to be effective.

## 5. CRITICAL JUDGMENTS AND KEY SOURCES OF ESTIMATION IN APPLYING ZAMCO'S ACCOUNTING POLICIES

In the process of applying ZAMCO's accounting policies, the Directors have made the following judgments and estimations that have a significant effect on the amounts recognised in the financial statements.

### 5.1 Property and equipment values, useful lives, residual values and depreciation rates

ZAMCO's property and equipment are depreciated using depreciation rates, useful lives and residual values estimated by the Directors.

### 5.2 Going concern

The entity's management has made an assessment of its ability to continue as a going concern and is satisfied that the entity has the resources to continue in business for the foreseeable future. ZAMCO's strong net asset position presented in these financial statements, the support from the Reserve Bank and Government of Zimbabwe ensures that the corporation will fully discharge its mandate. Therefore, the financial statements continue to be prepared on the going concern basis.

### 5.3 Fair value of assets

Where the fair values of assets and liabilities recorded on the statement of financial position cannot be derived from active markets, they are determined using a variety of valuation techniques that include the use of mathematical models. The inputs to these models are derived from observable market data where possible, but where observable market data are not available, judgment is required to establish fair values. The judgments include considerations of liquidity and model inputs such as discount rates, prepayment rates, time to maturity and default rate assumptions for debt securities

### 5.4 Impairment of financial assets

In assessing impairment, ZAMCO classifies its financial instruments according to the likelihood of default, with classes ranging from stage 1 (initial recognition and up-to date accounts), stage 2 (accounts with increased credit risk) to stage 3 (accounts in default). Mathematical models incorporating probabilities of default, exposure at default, loss given defaults and recovery rates are employed to determine the expected credit losses which become the impairment provisions.

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For the year ended 31 December 2020

# 6 INCOME AND EXPENDITURE

### 6.1.1 Interest revenue calculated using the effective interest rate method:

| | Inflation Adjusted | | Historical (Unaudited) | |
|---|---|---|---|---|
| | 2020 | 2019 | 2020 | 2019 |
| | ZWL | ZWL | ZWL | ZWL |
| Interest Income | 161,082,180 | 1,058,019,901 | 87,764,942 | 80,714,522 |
| Preference Share Coupon | 5,693,302 | 56,123,212 | 2,268,701 | 3,631,405 |
| Money Market Investment Income | 29,038,443 | 40,840,688 | 22,066,732 | 3,571,322 |
| | **195,813,925** | **1,154,983,801** | **112,100,375** | **87,917,249** |

Interest Income is interest earned on Loans acquired and restructured, with rates ranging between 5-10%.

### 6.1.2 Fee Income

| | Inflation Adjusted | | Historical (Unaudited) | |
|---|---|---|---|---|
| | 2020 | 2019 | 2020 | 2019 |
| | ZWL | ZWL | ZWL | ZWL |
| Facility Fees Income | 1,538,922 | 14,472,429 | 777,838 | 1,389,689 |
| Discount on loan acquisitions | 23,407,188 | - | 23,407,188 | - |
| | **24,946,110** | **14,472,429** | **24,185,026** | **1,389,689** |

Facility fees are charged at 1% of restructured loan on commencement of facility.

### 6.2.1 Interest and Fee expense comprises:

| | Inflation Adjusted | | Historical (Unaudited) | |
|---|---|---|---|---|
| | 2020 | 2019 | 2020 | 2019 |
| | ZWL | ZWL | ZWL | ZWL |
| Interest Expense | 107,527,429 | 732,616,895 | 52,750,523 | 50,665,219 |
| Interest on PTA/Facility | 3,775,365 | 35,034,601 | 1,779,012 | 2,302,041 |
| | **111,302,794** | **767,651,496** | **54,529,535** | **52,967,260** |

Interest expense consists mainly of interest on Treasury Bills issued for loan acquisitions, which carry a coupon of 5% p.a. payable semi-annually. The PTA facility charges interest at 8.25% p.a. No new loans were acquired in 2020, as such no new interest bearing treasury bills were issued.

### 6.2.2 Commission expense

| | Inflation Adjusted | | Historical (Unaudited) | |
|---|---|---|---|---|
| | 2020 | 2019 | 2020 | 2019 |
| | ZWL | ZWL | ZWL | ZWL |
| **Commission expense** | **574,993** | **1,179,313** | **573,559** | **96,897** |

Commission expense relates to amounts paid to entities that collect from debtors on behalf of ZAMCO.

### 6.3 Other income

| | Inflation Adjusted | | Historical (Unaudited) | |
|---|---|---|---|---|
| | 2020 | 2019 | 2020 | 2019 |
| | ZWL | ZWL | ZWL | ZWL |
| Rental Income | 380,316 | 9,797,416 | 186,000 | 201,500 |
| Mark to Market Gain | 325,542,998 | (583,204,665) | 718,251,812 | 61,761,710 |
| Dividend income | 876,469 | 120,730 | 819,178 | 26,912 |
| Foreign currency exchange differences | 12,516 | - | 45,367 | - |
| Sundry Income | 485,488 | 16,892,978 | 274,627 | 3,557,668 |
| | **327,297,787** | **(556,393,541)** | **719,576,984** | **65,547,790** |

Other income refers to rental income from operating leases on Group properties, mark to market gain on local shares portfolio, as well as income from non-lending activities.

### 6.4 Operating expenses

| | Inflation Adjusted | | Historical (Unaudited) | |
|---|---|---|---|---|
| | 2020 | 2019 | 2020 | 2019 |
| | ZWL | ZWL | ZWL | ZWL |
| **Total operating expenses** | **170,540,635** | **224,077,083** | **129,632,018** | **21,747,143** |
| Included are: | | | | |
| Employment costs | 104,998,730 | 59,545,140 | 82,487,256 | 5,841,000 |
| Administration costs | 49,049,404 | 54,013,621 | 33,992,306 | 5,881,011 |
| Negotiated settlements costs | 16,492,501 | 110,518,321 | 13,152,456 | 10,025,132 |

The negotiated settlement costs refer to residual balances written off on resolution and final settlement of negotiated accounts

NOTES TO THE COMPANY FINANCIAL STATEMENTS
For the year ended 31 December 2020

## 7 EXPECTED CREDIT LOSS

| | Inflation Adjusted | | Historical (Unaudited) | |
|---|---|---|---|---|
| | 2020 | 2019 | 2020 | 2019 |
| | ZWL | ZWL | ZWL | ZWL |
| Opening balance 1 January | 1,072,579,722 | 9,766,291,984 | 239,092,747 | 350,501,492 |
| Closing balance 31 December | (146,809,163) | (1,072,579,722) | (146,809,163) | (239,092,747) |
| Monetary loss | (833,486,975) | (8,193,928,057) | - | - |
| **(Reversal)/Allowance for the year** | **(92,283,584)** | **(499,784,155)** | **(92,283,584)** | **(111,408,745)** |

**Expected Credit Loss:**

| | Inflation Adjusted | | Historical (Unaudited) | |
|---|---|---|---|---|
| | 2020 | 2019 | 2020 | 2019 |
| | ZWL | ZWL | ZWL | ZWL |
| Loans and advances | 143,853,083 | 903,154,823 | 143,853,083 | 201,325,613 |
| Debt asset conversion assets | - | 555,965 | - | 123,931 |
| Preference shares | 2,956,080 | 168,868,934 | 2,956,080 | 37,643,203 |
| | **146,809,163** | **1,072,579,722** | **146,809,163** | **239,092,747** |

In accordance with its mandate and the Banking Amendment Act 2015, the company purchases non-performing loans from banks. On acquisition, these non-performing loans are impaired in the books of selling Banks and they carry the same state when they move to the Group.

The changes in impairment are mainly attributable to repayments from the agricultural portfolio, which had been greatly impaired from prior periods. The group conducted a thorough examination of all financial assets in accordance with the provisions of IFRS 9 and this resulted in an impairment allowance reversal of ZWL92,283,584. Interest income has since been suspended on accounts that have been assessed as impaired.

## 8 CASH AND BANK BALANCES

| | Inflation Adjusted | | Historical | |
|---|---|---|---|---|
| | 2020 | 2019 | 2020 | 2019 |
| | ZWL | ZWL | ZWL | ZWL |
| Short term investments | 130,174,874 | 410,820,254 | 130,174,874 | 91,577,471 |
| Bank balances | 72,328,327 | 229,794,559 | 72,328,327 | 51,224,360 |
| Cash at hand | 10,904,979 | 480 | 10,904,979 | 107 |
| | **213,408,180** | **640,615,293** | **213,408,180** | **142,801,938** |

Cash and Bank Balances comprise cash on hand, demand deposits with local banks and short term investments. Short term investments earn interest at rates between 5 – 25% p.a.

## 9 RECEIVABLES

| | Inflation Adjusted | | Historical | |
|---|---|---|---|---|
| | 2020 | 2019 | 2020 | 2019 |
| | ZWL | ZWL | ZWL | ZWL |
| Other receivables | 9,811,878 | 12,137,348 | 6,421,404 | 2,662,128 |
| Impairment | - | (36,314) | - | (8,095) |
| | **9,811,878** | **12,101,034** | **6,421,404** | **2,654,033** |

Other receivables include rent receivables and prepayments for operating expenses

## 10 LOANS, ADVANCES, DEBT CONVERSION AND PREFERENCE SHARES

### 10.1 LOANS AND ADVANCES

| | Inflation Adjusted | | Historical (Unaudited) | |
|---|---|---|---|---|
| | 2020 | 2019 | 2020 | 2019 |
| | ZWL | ZWL | ZWL | ZWL |
| Loans and advances | 419,623,588 | 3,771,916,387 | 419,623,588 | 840,811,913 |
| Impairment allowance | (143,853,083) | (903,118,555) | (143,853,083) | (201,317,517) |
| | **275,770,505** | **2,868,797,832** | **275,770,505** | **639,494,396** |

During the year, there were no acquisitions of NPLs.

### 10.2 DEBT ASSET CONVERSION ASSETS

| | Inflation Adjusted | | Historical (Unaudited) | |
|---|---|---|---|---|
| | 2020 | 2019 | 2020 | 2019 |
| | ZWL | ZWL | ZWL | ZWL |
| Debt-asset conversion assets | 35,466,994 | 170,201,592 | 35,466,994 | 37,940,270 |
| Impairment allowance | - | (555,965) | - | (123,932) |
| | **35,466,994** | **169,645,627** | **35,466,994** | **37,816,338** |

Debt asset conversion assets refer to loans that have been resolved through debt asset conversions. These assets are at various stages of conveyancing. The company will recognise these assets as investment property once control of the asset is exercisable.

NOTES TO THE COMPANY FINANCIAL STATEMENTS
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### 10.3 PREFERENCE SHARES HELD

| | Inflation Adjusted | | Historical (Unaudited) | |
|---|---|---|---|---|
| | 2020 | 2019 | 2020 | 2019 |
| | ZWL | ZWL | ZWL | ZWL |
| Preference Shares | 6,320,443 | 179,856,776 | 6,320,443 | 40,092,543 |
| Impairment allowance | (2,956,080) | (168,868,934) | (2,956,080) | (37,643,202) |
| | **3,364,363** | **10,987,842** | **3,364,363** | **2,449,341** |

The preference shares are held in entities whose debts, owing to the company, were converted on restructuring.

### 10.4 FINANCIAL ASSETS GROSS CARRYING AMOUNTS

## STAGE 1

| | Inflation Adjusted | | Historical (Unaudited) | |
|---|---|---|---|---|
| | 2020 | 2019 | 2020 | 2019 |
| | ZWL | ZWL | ZWL | ZWL |
| Loans and Advances | 31,824,135 | 10,919,103 | 31,824,135 | 2,434,040 |

## STAGE 3 (PURCHASED OR ORIGINATED CREDIT IMPAIRED)

| | Inflation Adjusted | | Historical (Unaudited) | |
|---|---|---|---|---|
| | 2020 | 2019 | 2020 | 2019 |
| | ZWL | ZWL | ZWL | ZWL |
| Loans and Advances | 387,799,453 | 3,760,997,284 | 387,799,453 | 838,377,873 |
| Debt Asset swaps | 35,466,994 | 170,201,592 | 35,466,994 | 37,940,270 |
| Preference shares | 6,320,443 | 179,856,776 | 6,320,443 | 40,092,543 |
| | **429,586,890** | **4,111,055,652** | **429,586,890** | **916,410,686** |

# NOTES TO THE COMPANY FINANCIAL STATEMENTS
For the year ended 31 December 2020

## 10.5 IMPACT OF COVID -19 ON IMPAIRMENT OF FINANCIAL ASSETS

| Financial Asset | Covid-19 Impact on ECL |
|---|---|
| | |
| **Loans and advances** | Low to moderate impact. Clients may experience challenges in servicing their obligations due to the increasingly difficult economic environment as a result of Covid-19 containment measures. |
| **Preference shares** | Low impact |
| **Debt Asset Swaps** | No impact |

After an assessment of the impact of Covid-19 disease on the group's financial assets, the ECL models being used were deemed sufficient in capturing all relevant inputs and no changes were effected thereto. There were no movements between categories of ECLs as a result of the Covid-19 pandemic. The company did not offer any payment holidays to clients resulting from the Covid-19 pandemic

## 10.6 EXPECTED CREDIT LOSSES (ECL) ON FINANCIAL INSTRUMENTS

The table shows ECL charges on financial instruments:

INFLATION ADJUSTED

| | Stage 1 | | Stage 2 | | Stage 3 | | Total | |
|---|---|---|---|---|---|---|---|---|
| | 31 Dec 20 | 31 Dec 19 | 31 Dec 20 | 31 Dec 19 | 31 Dec 20 | 31 Dec 19 | 31 Dec 20 | 31 Dec 19 |
| Loans and Advances | 2,848 | 36,314 | - | - | 143,850,235 | 903,118,555 | 143,853,083 | 903,154,823 |
| Debt Asset Swaps | - | - | - | - | - | 555,965 | - | 555,965 |
| Preference shares | - | - | - | - | 2,956,080 | 168,868,934 | 2,956,080 | 168,868,934 |
| Total | 2,848 | 36,314 | - | - | 146,806,315 | 1,072,543,454 | 146,809,163 | 1,072,579,722 |

## NOTES TO THE COMPANY FINANCIAL STATEMENTS
For the year ended 31 December 2020

HISTORICAL (UNAUDITED)

| | Level 1 | | Level 2 | | Level 3 | | Total Carrying Amount | |
|---|---|---|---|---|---|---|---|---|
| | 31 Dec 20 | 31 Dec 19 | 31 Dec 20 | 31 Dec 19 | 31 Dec 20 | 31 Dec 19 | 31 Dec 20 | 31 Dec 19 |
| Loans and Advances | 2,848 | 8,096 | - | - | 143,850,235 | 201,309,421 | 143,853,083 | 201,317,517 |
| Debt Asset Swaps | - | - | - | - | - | 123,932 | - | 123,932 |
| Preference shares | - | - | - | - | - | 37,643,202 | 2,956,080 | 37,643,202 |
| **Total** | **2,848** | **8,096** | **-** | **-** | **146,806,315** | **239,076,555** | **146,809,163** | **239,084,651** |

* There were no movements between categories during the year

## 11 LOCAL SHARES

| | Inflation Adjusted | | Historical | |
|---|---|---|---|---|
| | 2020 | 2019 | 2020 | 2019 |
| | ZWL | ZWL | ZWL | ZWL |
| Balance on 1 January | 505,360,632 | 999,855,146 | 112,651,818 | 35,883,703 |
| Additions | - | 88,710,151 | - | 15,006,405 |
| Mark to market movement | 325,542,998 | (583,204,665) | 718,251,812 | 61,761,710 |
| **Balance on 31 December** | **830,903,630** | **505,360,632** | **830,903,630** | **112,651,818** |

Local shares are equity investments in Star Africa and CBZ managed equity portfolio which are carried at fair value through profit and loss.

## 12 FINANCIAL SECURITIES

| | Inflation Adjusted | | Historical | |
|---|---|---|---|---|
| | 2020 | 2019 | 2020 | 2019 |
| | ZWL | ZWL | ZWL | ZWL |
| Gross Treasury Bills | 75,046,698 | 263,966,063 | 75,046,698 | 58,841,657 |
| Expected credit loss | - | - | - | - |
| Balance | **75,046,698** | **263,966,063** | **75,046,698** | **58,841,657** |

Included in financial securities are $38m TBs received from the Government of Zimbabwe as security on the IDBZ facility. Also included are TBs received from various clients as loan repayments. An assessment for expected credit loss was performed on the financial securities as at report date.

## 13 CHANGE IN RECEIVABLES

| | Inflation Adjusted | | Historical | |
|---|---|---|---|---|
| | 2020 | 2019 | 2020 | 2019 |
| | ZWL | ZWL | ZWL | ZWL |
| Change in loans and advances | (2,877,032,503) | (2,042,059,711) | (570,226,145) | (167,748,804) |
| Change in debt asset conversion | (134,178,633) | (179,706,705) | (2,349,344) | (40,059,090) |
| Change in preference shares held | (7,623,479) | (33,619,456) | 915,022 | (7,494,238) |
| Change in financial securities | (188,919,365) | 72,090,529 | 16,205,041 | 16,069,968 |
| Change in receivables | (2,289,156) | 6,537,453 | 3,767,370 | 1,413,833 |
| Change in assets in transit | (168,688) | (1,233,746) | (37,603) | (275,019) |
| **Increase in receivables** | **(3,210,211,824)** | **(2,177,991,636)** | **(551,725,659)** | **(198,093,350)** |
| Less acquisitions during the year | - | (625,419,388) | - | (50,744,093) |
| **Net decrease /(increase) in receivables** | **(3,210,211,824)** | **(2,803,411,024)** | **(551,725,659)** | **(248,837,443)** |

## 14 CHANGE IN PAYABLES

| | Inflation Adjusted | | Historical | |
|---|---|---|---|---|
| | 2020 | 2019 | 2020 | 2019 |
| | ZWL | ZWL | ZWL | ZWL |
| Change in loans and borrowings | (537,429,189) | 41,479,564 | (196,916) | 15,299,125 |
| Change in deferred income | (21,297,476) | (6,192,198) | (764,343) | (1,380,326) |
| Change in sundry payables | (32,703,756) | 56,816,198 | 28,340,649 | 12,665,110 |
| Net increase in payables | **(591,430,421)** | **92,103,564** | **27,379,390** | **26,583,909** |

## 15. INVENTORIES

| | Inflation Adjusted | | Historical | |
|---|---|---|---|---|
| | 2020 | 2019 | 2020 | 2019 |
| | ZWL | ZWL | ZWL | ZWL |
| Land developments | **1,588,723,159** | **72,003,613** | **999,685,787** | **8,589,034** |

Inventories are valued at the lower of cost and net realisable and relate to land development projects being undertaken across the country. In accordance with IAS 2, the value incorporates the initial cost of acquiring the land. No sales occurred during the current year.

## 16 ASSETS UNDER DEVELOPMENT

| | Inflation Adjusted | | Historical | |
|---|---|---|---|---|
| | 2020 | 2019 | 2020 | 2019 |
| | ZWL | ZWL | ZWL | ZWL |
| Assets under development | - | **168,688** | - | **37,603** |

These refer to costs incurred in 2019 towards the development of ZAMCO's offsite Disaster Recovery data site. The various items of equipment were deployed and became operational in 2020.

## 17. INVESTMENT PROPERTY

| | Inflation Adjusted | | Historical | |
|---|---|---|---|---|
| | 2020 | 2019 | 2020 | 2019 |
| | ZWL | ZWL | ZWL | ZWL |
| Opening balance | 2,155,536,270 | 1,049,959,967 | 480,498,608 | 37,681,910 |
| Net Movement for period | (1,116,263,161) | 393,378,055 | (659,939,435) | 87,689,365 |
| Additions during the period | 26,727,713 | 393,378,055 | 22,165,526 | 87,689,365 |
| Transfers to inventory | (1,131,073,446) | - | (670,670,587) | - |
| Disposals | (11,917,428) | - | (11,434,374) | - |
| Fair value adjustments | 679,014,799 | 712,198,248 | 1,897,728,735 | 355,127,333 |
| | **1,718,287,908** | **2,155,536,270** | **1,718,287,908** | **480,498,608** |

The carrying amount of investment properties is the fair value of the properties as determined by registered independent valuers who possess appropriate recognised professional qualifications and recent experience in the category and location being valued. The valuation was carried out in accordance with International Valuation Standards and the Royal Institute of Chartered Surveyors Appraisal and Valuation Manual. Fair values were determined with regard to recent market transactions for similar properties in the same location as the Group's investment properties and also potential rental yields applicable to similar property. The properties were valued as at 31 December 2020.

ZAMCO characterizes inputs used in determining fair value using a hierarchy that prioritizes inputs depending on the degree to which they are observable. The three levels of the fair value hierarchy are as follows:

* **Level 1:** fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;

* **Level 2**: fair value measurements are those derived from inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

* **Level 3:** fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

There were no transfers between levels 1, 2 and 3 during the year.

The group applied the following Significant Unobservable Inputs in arriving at Level 3 fair values:

Investment Properties i.e. Hotels – monthly profits and capitalization rate.
Other investments Properties – rental value per square metre and capitalization rate.
Land and Residential – land rate/ sqm and the Main Space Equivalent (MSE).

| PROPERTY TYPE | VALUATION | SIGNIFICANT UNOBSERVABLE INPUTS | RANGE |
|---|---|---|---|
| **RESIDENTIAL** | Comparable Method | Main Space Equivalent (MSE) | ZWL40,893.30-81,786.6 (2020: ZWL164.00-204.00) |
| **COMMERCIAL** | Implicit Investments / Profits Method/ Capitalization Rate | Estimated Rental value per sqm & capitalization rate | ZWL202,421.84 - 597,451.11(2020: ZWL188.11-613.40) |
| **INDUSTRIAL** | Implicit Investments / Capitalization Rate | Estimated Rental value per sqm & Capitalization rate. | ZWL202,421.84 - 597,451.11(2020: ZWL164-245) |
| **LAND/STANDS** | Comparable Method | Land rate/ sqm | Price per/sqm ZWL408.00-2994.00 |
| **AGRICULTURE** | Comparable Method | Land rate/ sqm | Price per/sqm ZWL12-335 |

Revenue and expenses relating to investment property:

| | Inflation Adjusted | | Historical (Unaudited) | |
|---|---|---|---|---|
| | 2020 | 2019 | 2020 | 2019 |
| | ZWL | ZWL | ZWL | ZWL |
| Rental Income | - | - | - | - |
| Operating expenses | 330,083 | - | 311,440 | - |

# NOTES TO THE COMPANY FINANCIAL STATEMENTS
For the year ended 31 December 2020

## 17.1 SENSITIVITY ANALYSIS PER SIGNIFICANT UNOBSERVABLE INPUT

| | Inflation Adjusted | Inflation Adjusted | |
|---|---|---|---|
| Property Type | 2020 ZWL | 2020 ZWL (Sensitivity Analysis +5%) | 2020 ZWL (Sensitivity Analysis -5%) |
| Residential | 4,098,504.00 | 4,303,429.20 | 3,893,578.80 |
| Commercial | 705,306,696.00 | 740,572,030.80 | 670,041,361.20 |
| Industrial | 98,144,032.00 | 103,051,233.60 | 93,236,830.40 |
| Land/Stands | 301,994,260.86 | 317,093,973.90 | 286,894,547.82 |
| Agriculture | 608,744,415.00 | 639,181,635.75 | 578,307,194.25 |
| **Total** | **1,718,287,907.86** | **1,804,202,303.25** | **1,632,373,512.47** |

Significant increases /decreases in estimated rental value, in isolation , would result in a significantly higher / (lower) fair values for the properties. The table above illustrates that the impact of a positive or negative deviation of 5% in rental value would result in an increase of $85.9 million either way, which variance will filter to the income statement and statement of financial position.

## 18. FAIR VALUE MEASUREMENT

The table below presents components of the Statement of Financial Position that are recognised at fair value:

INFLATION ADJUSTED

| | Level 1 | | Level 2 | | Level 3 | | Total Carrying Amount | |
|---|---|---|---|---|---|---|---|---|
| | 31 Dec 20 | 31 Dec 19 | 31 Dec 20 | 31 Dec 19 | 31 Dec 20 | 31 Dec 19 | 31 Dec 20 | 31 Dec 19 |
| Equity Investments | 830,903,630 | 505,360,632 | - | - | - | - | 830,903,630 | 505,360,632 |
| Financial securities | - | - | 75,046,698 | 263,996,063 | - | - | 75,046,698 | 263,996,063 |
| Investment property | - | - | - | - | 1,718,287,908 | 2,155,536,270 | 1,718,287,908 | 2,155,536,270 |
| **Total Assets at fair value** | **830,903,630** | **505,360,632** | **75,046,698** | **263,996,063** | **1,718,287,908** | **2,155,536,270** | **2,624,238,236** | **2,924,892,965** |

Level 3 valuation techniques are highlighted on note 17 for investment property.

HISTORICAL

| | Level 1 | | Level 2 | | Level 3 | | Total Carrying Amount | |
|---|---|---|---|---|---|---|---|---|
| | 31 Dec 20 | 31 Dec 19 | 31 Dec 20 | 31 Dec 19 | 31 Dec 20 | 31 Dec 19 | 31 Dec 20 | 31 Dec 19 |
| Equity Investments | 830,903,630 | 112,651,818 | - | - | - | - | 830,903,630 | 112,651,818 |
| Financial securities | - | - | 75,046,698 | 58,841,657 | - | - | 75,046,698 | 58,841,657 |
| Investment property | - | - | - | - | 1,718,287,908 | 480,498,608 | 1,718,287,908 | 480,498,608 |
| **Total Assets at fair value** | **830,903,630** | **112,651,818** | **75,046,698** | **58,841,657** | **1,718,287,908** | **480,498,608** | **2,624,238,236** | **651,992,083** |

# 9. PROPERTY AND EQUIPMENT

## 19.1 INFLATION ADJUSTED

| | Computer Hardware | Computer Software | Furniture & Fittings | Office Equipment | Motor Vehicles | Total |
|---|---|---|---|---|---|---|
| | ZWL | ZWL | ZWL | ZWL | ZWL | ZWL |
| **COST:** | | | | | | |
| At 01 January 2019 | 3,199,533 | 1,709,688 | 2,140,637 | 2,255,029 | 14,127,208 | 23,432,095 |
| Additions | 3,491,887 | 10,212,952 | 1,248,112 | 1,762,763 | 6,694,314 | 23,410,028 |
| Disposals | (462,599) | - | - | - | - | (462,599) |
| **At 31 December 2019** | **6,228,821** | **11,922,640** | **3,388,749** | **4,017,792** | **20,821,522** | **46,379,524** |
| Additions | 1,327,413 | - | - | 317,483 | 17,566,404 | 19,211,300 |
| Disposals | (1,370,955) | - | - | - | (3,343,652) | (4,714,607) |
| **At 31 December 2020** | **6,185,279** | **11,922,640** | **3,388,749** | **4,335,275** | **35,044,274** | **60,876,217** |
| **DEPRECIATION:** | | | | | | |
| At 01 January 2019 | (1,300,972) | (393,460) | (396,491) | (1,256,792) | (4,615,606) | (7,963,321) |
| Depreciation charge for the year | (662,966) | (869,407) | (151,153) | (319,649) | (1,928,626) | (3,931,801) |
| Disposal | 37,833 | - | - | - | - | 37,833 |
| **At 31 December 2019** | **(1,926,105)** | **(1,262,867)** | **(547,644)** | **(1,576,441)** | **(6,544,232)** | **(11,857,289)** |
| Depreciation charge for the year | (270,922) | (183,576) | (36,216) | (157,536) | (1,432,272) | (2,080,522) |
| Disposal | 686,940 | - | - | - | 1,395,368 | 2,080,308 |
| **At 31 December 2020** | **(1,512,087)** | **(1,446,443)** | **(583,860)** | **(1,733,977)** | **(6,581,136)** | **(11,857,503)** |
| **Net Book Value:** | | | | | | |
| **At 01 January 2019** | **1,898,561** | **1,316,228** | **1,744,146** | **998,237** | **9,511,602** | **15,468,774** |
| **At 31 December 2019** | **4,302,716** | **10,659,773** | **2,841,105** | **2,441,351** | **14,277,290** | **34,522,235** |
| **At 31 December 2020** | **4,673,192** | **10,476,197** | **2,804,889** | **2,601,298** | **28,463,138** | **49,018,714** |

* None of the items of property and equipment presented above were subject to any operating leases.

NOTES TO THE COMPANY FINANCIAL STATEMENTS
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# 19 PROPERTY AND EQUIPMENT

## 19.2 HISTORICAL

| | Computer Hardware | Computer Software | Furniture & Fittings | Office Equipment | Motor Vehicles | Total |
|---|---|---|---|---|---|---|
| | ZWL | ZWL | ZWL | ZWL | ZWL | ZWL |
| **COST:** | | | | | | |
| At 01 January 2019 | 114,828 | 61,359 | 76,827 | 81,693 | 507,010 | 841,717 |
| Additions | 295,502 | 454,590 | 100,295 | 206,095 | 566,508 | 1,622,990 |
| Disposals | (48,013) | - | - | - | - | (48,013) |
| **At 31 December 2019** | **362,317** | **515,949** | **177,122** | **287,788** | **1,073,518** | **2,416,694** |
| Additions | 903,228 | - | - | 163,779 | 14,698,092 | 15,765,099 |
| Disposals | (93,778) | - | - | - | (120,000) | (213,778) |
| **At 31 December 2020** | **1,171,767** | **515,949** | **177,122** | **451,567** | **15,651,610** | **17,968,015** |
| **DEPRECIATION:** | | | | | | |
| At 01 January 2019 | (46,691) | (14,121) | (14,230) | (45,104) | (165,649) | (285,795) |
| Depreciation charge for the year | (55,623) | (71,358) | (12,218) | (28,848) | (157,911) | (325,958) |
| Disposal | 4,165 | - | - | - | - | 4,165 |
| **At 31 December 2019** | **(98,149)** | **(85,479)** | **(26,448)** | **(73,952)** | **(323,560)** | **(607,588)** |
| Depreciation charge for the year | (160,942) | (89,781) | (17,712) | (85,888) | (1,122,271) | (1,476,594) |
| Disposal | 37,286 | - | - | - | 72,000 | 109,286 |
| At 31 December 2020 | (221,805) | (175,260) | (44,160) | (159,840) | (1,373,831) | (1,974,896) |
| **Net Book Value:** | | | | | | |
| **At 01 January 2019** | **68,137** | **47,238** | **62,597** | **36,589** | **341,361** | **555,922** |
| **At 31 December 2019** | **264,168** | **430,470** | **150,674** | **213,836** | **749,958** | **1,809,106** |
| **At 31 December 2020** | **949,962** | **340,689** | **132,962** | **291,727** | **14,277,779** | **15,993,119** |

NOTES TO THE COMPANY FINANCIAL STATEMENTS
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## 20.SHARE CAPITAL

| | Inflation Adjusted | | Historical | |
|---|---|---|---|---|
| | 2020 | 2019 | 2020 | 2019 |
| | ZWL | ZWL | ZWL | ZWL |
| Authorised share capital 200 000 ordinary shares at $0.01 | **55,728** | **55,728** | **2,000** | **2,000** |

**Issued Share Capital**

| | Inflation Adjusted | | Historical | |
|---|---|---|---|---|
| | 2020 | 2019 | 2020 | 2019 |
| | ZWL | ZWL | ZWL | ZWL |
| 100,000 Ordinary Shares @ $0.01 | 27,864 | 27,864 | 1,000 | 1,000 |
| Share premium | 983,215,404 | 983,215,404 | 35,286,521 | 35,286,521 |
| | **983,243,268** | **983,243,268** | **35,287,521** | **35,287,521** |

ZAMCO's issued share capital is held by the Reserve Bank of Zimbabwe. In accordance with the provisions of the Companies Act [Chapter 24:01], the unissued ordinary shares of the corporation are under the control of the Board of Directors.

## 21. RETAINED EARNINGS

| | Inflation Adjusted | | Historical | |
|---|---|---|---|---|
| | 2020 | 2019 | 2020 | 2019 |
| | ZWL | ZWL | ZWL | ZWL |
| Opening balance | 283,473,693 | (8,237,699,806) | 250,937,509 | (295,641,997) |
| (Loss)/ Profit for the year | 2,237,721,854 | 8,521,173,499 | 2,661,139,593 | 546,579,506 |
| Balance at year end | **2,521,195,547** | **283,473,693** | **2,912,077,102** | **250,937,509** |

NOTES TO THE COMPANY FINANCIAL STATEMENTS
For the year ended 31 December 2020

# 22 PAYABLES

| | Inflation Adjusted | | Historical | |
|---|---|---|---|---|
| | 2020 | 2019 | 2020 | 2019 |
| | ZWL | ZWL | ZWL | ZWL |
| Other Payables | 45,851,749 | 78,555,505 | 45,851,749 | 17,511,100 |

Intercompany balance relates to transactions done by the Reserve Bank of Zimbabwe on behalf of ZAMCO and was paid off during the year. Other payables include legal fees accrued, Audit fees provision and provisions for leave pay.

## 22.1 LEAVE PAY PROVISION

| | Inflation Adjusted | | Historical | |
|---|---|---|---|---|
| | 2020 | 2019 | 2020 | 2019 |
| | ZWL | ZWL | ZWL | ZWL |
| Opening balance 1 January | 1,233,589 | 1,709,554 | 274,984 | 61,354 |
| Gross provisions for the year | 10,799,163 | 4,610,053 | 7,344,532 | 392,160 |
| Paid out during the year | - | (1,567,455) | - | (178,530) |
| Effects of inflation adjustment | (4,413,236) | (3,518,563) | - | - |
| Closing Balance 31 December | **7,619,516** | **1,233,589** | **7,619,516** | **274,984** |

## 22.2 AUDIT FEES PROVISION

| | Inflation Adjusted | | Historical | |
|---|---|---|---|---|
| | 2020 | 2019 | 2020 | 2019 |
| | ZWL | ZWL | ZWL | ZWL |
| Opening balance 1 January | 5,223,837 | 724,545 | 1,164,465 | 26,003 |
| Gross provisions for the year | 3,145,736 | 7,171,689 | 3,145,736 | 1,302,120 |
| Paid out during the year | (4,500,888) | (2,602,253) | (1,164,465) | (163,658) |
| Effects of inflation adjustment | (722,949) | (70,144) | - | - |
| Closing Balance 31 December | **3,145,736** | **5,223,837** | **3,145,736** | **1,164,465** |

NOTES TO THE COMPANY FINANCIAL STATEMENTS
For the year ended 31 December 2020

### 23.1 LOANS AND BORROWINGS

#### INFLATION ADJUSTED

| NAME | RATE | TENURE | SECURITY | 2020 ZWL | 2019 ZWL |
|---|---|---|---|---|---|
| PTA Bank | 8.25 | 8 Years | - | 17,038,459 | 105,848,330 |
| IDBZ Foreign Loans# | 0% | - | - | 38,283,003 | 171,739,106 |
| Other Loans and Dues* | 0-5% | - | - | 102,927,168 | 416,542,576 |
| TOTAL | | | | **158,248,630** | **694,130,012** |

#### HISTORICAL

| NAME | RATE | TENURE | SECURITY | 2020 ZWL | 2019 ZWL |
|---|---|---|---|---|---|
| PTA Bank | 8.25 | 8 Years | - | 17,038,459 | 23,595,045 |
| IDBZ Foreign Loans# | 0% | - | - | 38,283,003 | 38,283,003 |
| Other Loans and Dues* | 0-5% | - | - | 102,927,168 | 92,853,055 |
| TOTAL | | | | **158,248,630** | **154,731,103** |

* The loan from PTA relates to loans accessed by local financial institutions from PTA under sovereign guarantees. The financial institutions failed to service them resulting in the sovereign guarantees being called on. The government assumed the loans through RBZ, which in turn ceded them to ZAMCO. RBZ has been paying PTA the amounts due as agreed. The obligation on ZAMCO's books is to RBZ and payable in Zimbabwean Dollars.

\# The IDBZ foreign loans do not have a defined term as they are dependent on the ability of IDBZ to raise funding to extinguish the debts.

### 23.2 OTHER LOANS AND DUES

| | Inflation Adjusted | | Historical | |
|---|---|---|---|---|
| | 2020 | 2019 | 2020 | 2019 |
| | ZWL | ZWL | ZWL | ZWL |
| PTA Repayments | 49,412,358 | 184,023,092 | 49,412,358 | 41,021,272 |
| TB Coupon & Capital payments | 479,773 | 2,755,313 | 479,773 | 614,197 |
| Government Redeemed Tbs | 32,031,490 | 143,694,565 | 32,031,490 | 32,031,490 |
| Interest due and payable | 15,811,993 | 63,869,653 | 15,811,993 | 14,237,422 |
| Business resuscitation fund | 5,191,554 | 22,199,953 | 5,191,554 | 4,948,674 |
| | **102,927,168** | **416,542,576** | **102,927,168** | **92,853,055** |

### 23.2 OTHER LOANS AND DUES (Continued)

Other loans and dues include Reserve Bank of Zimbabwe intercompany loans arising from PTA repayments and TB coupons paid by the Reserve Bank, interest accrued on the Treasury bills in issue. No tenures have been agreed upon with respect to the intercompany loans. The Treasury bill interest is accrued up to six (6) months. The increase relates mainly to PTA facility repayments done by the RBZ on ZAMCO's behalf.

## 24 TREASURY BILLS IN ISSUE

| | Inflation Adjusted | | Historical (Unaudited) | |
|---|---|---|---|---|
| | 2020 | 2019 | 2020 | 2019 |
| | ZWL | ZWL | ZWL | ZWL |
| Balance as at 1 January | 4,602,080,519 | 27,268,412,348 | 1,025,866,888 | 978,633,366 |
| Additions | - | 625,419,388 | - | 50,744,093 |
| Payments | (11,071,747) | (62,954,386) | (5,528,709) | (3,510,571) |
| Monetary gain | (3,570,670,593) | (23,228,796,831) | - | - |
| Balance as at 31 December | **1,020,338,179** | **4,602,080,519** | **1,020,338,179** | **1,025,866,888** |

These are ZWL Dollar denominated Government of Zimbabwe Treasury Bills issued on behalf of ZAMCO for the acquisition of non-performing loans and payments made by the RBZ to foreign creditors for and on behalf of ZAMCO with respect to interest due. The Treasury Bills attract a coupon of 5%p.a payable semi-annually. The Treasury bills have remaining tenors ranging between 1 to 11 years.

## 25 DEFERRED INCOME

| | Inflation Adjusted | | Historical | |
|---|---|---|---|---|
| | 2020 | 2019 | 2020 | 2020 |
| | ZWL | ZWL | ZWL | ZWL |
| Deferred Income | **70,924,656** | **92,222,132** | **2,545,408** | **3,309,751** |

Refers to facility fees charged by ZAMCO on restructuring a loan. The deferred income is amortised over the lifespan of the facility.

NOTES TO THE COMPANY FINANCIAL STATEMENTS
For the year ended 31 December 2020

## 26 CONTINGENT LIABILITIES, COMMITMENTS AND OTHER CONTINGENCIES

There were no contingent liabilities at year end

## 27 CAPITAL COMMITMENTS

| | Inflation Adjusted | | Historical | |
|---|---|---|---|---|
| | 2020 | 2019 | 2020 | 2019 |
| | ZWL | ZWL | ZWL | ZWL |
| Opening balance 1 January | 11,100,012 | 1,105,356 | 2,474,345 | 39,670 |
| New commitments- authorised and contracted: | 5,179,120 | 11,100,012 | 4,969,192 | 2,474,345 |
| Paid out during the year | (11,115,201) | (891,587) | (7,443,537) | (39,670) |
| Effects of inflation | (5,163,930) | (213,769) | - | - |
| Closing Balance 31 December | **-** | **11,100,012** | **-** | **2,474,345** |

## 28 RETIREMENT BENEFIT SCHEMES

### 28.1 National Social Security Authority (NSSA) scheme

The Employees are members of a state-managed retirement benefit plan, NSSA, and the contributions to the scheme are made in terms of the National Social Security Authority Act (Chapter 17:04). During the year ZAMCO contributed ZWL37,385 (2018: ZWL16,897) towards this plan and the cost is included in the staff costs.

### 28.2 Fintrust Pension Fund

ZAMCO staff joined the RBZ initiated Fintrust Pension Fund, which is managed by Comarton Consultants with effect from 1 January 2017. The fund is a defined contribution plan, towards which the employee contributes 6% of basic earnings, whilst the employer contributes 15%. During the year ZAMCO contributed ZWL286,209 towards the fund.

### 28.3 Recognition of contributions

ZAMCO's obligation with respect to the retirement benefit plan is to make the specific contributions. The contributions to the pension funds are recognized as an expense when they fall due.

NOTES TO THE COMPANY FINANCIAL STATEMENTS
For the year ended 31 December 2020

### 28.4 Contributions recognized as an expense during the year

| | Inflation Adjusted | | Historical | |
|---|---|---|---|---|
| | 2020 | 2019 | 2020 | 2019 |
| | ZWL | ZWL | ZWL | ZWL |
| National Social Security Authority Scheme | 476,189 | 440,753 | 335,140 | 37,385 |
| Fintrust Pension Fund | 4,529,197 | 3,070,031 | 3,197,905 | 286,209 |
| | **5,005,386** | **3,510,784** | **3,533,045** | **323,594** |

## 29 FINANCIAL ASSETS AND RISK MANAGEMENT

ZAMCO has various policies and procedures to manage its risk. Below is a table on classification of ZAMCO's financial assets on certain aspects of its risk management specific to its financial instruments.

# NOTES TO THE COMPANY FINANCIAL STATEMENTS
For the year ended 31 December 2020

## 29.1 Classification of Financial Assets and Liabilities (2020)

| | Inflation Adjusted | | | Historical | | |
|---|---|---|---|---|---|---|
| | 2020 | | | 2020 | | |
| | Amortised Cost | Fair Value through profit and loss | Total | Amortised Cost | Fair Value through profit and loss | Total |
| | ZWL | ZWL | ZWL | ZWL | ZWL | ZWL |
| **Financial Assets** | | | | | | |
| Loans and advances | 275,770,505 | - | 275,770,505 | 275,770,505 | - | 275,770,505 |
| Debt asset conversion assets | 35,466,994 | - | 35,466,994 | 35,466,994 | - | 35,466,994 |
| Preference shares held | 3,364,363 | - | 3,364,363 | 3,364,363 | - | 3,364,363 |
| Local Shares | - | 830,903,630 | 830,903,630 | - | 830,903,630 | 830,903,630 |
| Receivables | 9,811,878 | - | 9,811,878 | 6,421,405 | - | 6,421,405 |
| Financial securities | 75,046,698 | - | 75,046,698 | 75,046,698 | - | 75,046,698 |
| Cash and bank balances | 213,408,180 | - | 213,408,180 | 213,408,180 | - | 213,408,180 |
| **Total** | **612,868,618** | **830,903,630** | **1,1443,772,248** | **609,478,145** | **830,903,630** | **1,440,381,775** |
| | | | | | | |
| **Financial Liabilities** | | | | | | |
| Treasury bills in issue | 1,020,338,179 | - | 1,020,338,179 | 1,020,338,179 | - | 1,020,338,179 |
| Long term loans & borrowings | 55,321,462 | - | 55,321,462 | 55,321,462 | - | 55,321,462 |
| Other loans and dues* | 102,927,168 | - | 102,927,168 | 102,927,168 | - | 102,927,168 |
| Payables | 45,851,749 | - | 45,851,749 | 45,851,749 | - | 45,851,749 |
| **Total** | **1,224,438,558** | **-** | **1,224,438,558** | **1,224,438,558** | **-** | **1,224,438,558** |

* Other loans and dues include intercompany loans and interest accrued on treasury bills in issue

NOTES TO THE COMPANY FINANCIAL STATEMENTS
For the year ended 31 December 2020

### 29.2 Classification of Financial Assets and Liabilities (2019)

| | Inflation Adjusted | | | Historical | | |
|---|---|---|---|---|---|---|
| | 2019 | | | 2019 | | |
| | Amortised Cost | Fair Value through profit and loss | Total | Amortised Cost | Fair Value through profit and loss | Total |
| | ZWL | ZWL | ZWL | ZWL | ZWL | ZWL |
| **Financial Assets** | | | | | | |
| Loans and advances | 2,868,797,832 | - | 2,868,797,832 | 639,494,396 | - | 639,494,396 |
| Debt asset conversion assets | 169,645,627 | - | 169,645,627 | 37,816,338 | - | 37,816,338 |
| Preference shares held | 10,987,842 | - | 10,987,842 | 2,449,341 | - | 2,449,341 |
| Local Shares | - | 505,360,632 | 505,360,632 | - | 112,651,818 | 112,651,818 |
| Receivables | 12,101,034 | - | 12,101,034 | 2,654,033 | - | 2,654,033 |
| Financial securities | 263,966,063 | - | 263,966,063 | 58,841,657 | - | 58,841,657 |
| Cash and bank balances | 640,615,293 | - | 640,615,293 | 142,801,938 | - | 142,801,938 |
| **Total** | **3,966,113,691** | **505,360,632** | **4,471,474,323** | **884,057,703** | **112,651,818** | **996,709,521** |
| | | | | | | |
| **Financial Liabilities** | | | | | | |
| Treasury bills in issue | 4,602,080,519 | - | 4,602,080,519 | 1,025,866,888 | - | 1,025,866,888 |
| Long term loans & borrowings | 277,587,436 | - | 277,587,436 | 61,878,048 | - | 61,878,048 |
| Other loans and dues* | 416,542,576 | - | 416,542,576 | 92,853,055 | - | 92,853,055 |
| Payables | 78,555,505 | - | 78,555,505 | 17,511,100 | - | 17,511,100 |
| **Total** | 5,374,766,036 | - | 5,374,766,036 | 1,198,109,091 | - | 1,198,109,091 |

* Other loans and dues include intercompany loans and interest accrued on treasury bills in issue

### 29.2 Market price risk

Market price risk is the risk of loss resulting from changes in market conditions and prices. Market price risk includes interest rate risk, currency risk and equity price risk. In its operations, ZAMCO is obliged to accept certain market-related risks which would not be fully compatible with pure commercial practice. ZAMCO nevertheless manages its market risks responsibly, utilising modern technology and appropriate organisational structures and procedures. Exposures and limits are measured continuously and strategies are routinely reviewed by management

### 29.3 Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. This is managed at both the board and management level through regular policy and benchmarks which relates to interest rate risk management. The majority of ZAMCO's loans and advances facilities are at concessionary rates.

ZAMCO's senior management oversees the management of these risks and they are supported by a committee that advises on such risks and the appropriate risk governance framework for ZAMCO. The committee provides assurance that ZAMCO's financial risk activities are governed by appropriate policies and procedures and that financial risks are identified, measured and managed in accordance with ZAMCO's policies and risk objectives.

Listed below are ZAMCO's interest earning assets and interest bearing liabilities:

| | Inflation Adjusted | | Historical | |
|---|---|---|---|---|
| | 2020 | 2019 | 2020 | 2019 |
| | ZWL | ZWL | ZWL | ZWL |
| Loans & Advances | 275,770,505 | 2,868,797,832 | 275,770,505 | 639,494,396 |
| Preference Shares | 3,364,363 | 10,987,842 | 3,364,363 | 2,449,341 |
| Financial Securities | 75,046,698 | 263,966,063 | 75,046,698 | 58,841,657 |
| Total | 354,181,566 | 3,143,751,737 | 354,181,566 | 700,785,394 |
| | | | | |
| Loans And Borrowings | 55,321,462 | 277,587,436 | 55,321,462 | 61,878,048 |
| Treasury Bills | 1,020,338,179 | 4,602,080,519 | 1,020,338,179 | 1,025,866,888 |
| Other Loans and Dues | 102,927,168 | 416,542,576 | 102,927,168 | 92,853,055 |
| | 1,178,586,809 | 5,296,210,531 | 1,178,586,809 | 1,180,597,991 |

### 29.4 Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of an exposure will fluctuate because of changes in exchange rates. ZAMCO's assets and liabilities are held in ZWL (ZAMCO's functional currency) hence the corporation was not exposed to currency risk at year end. ZAMCO had no contracts denominated in foreign currency. ZAMCO had some foreign currency cash balances, upon which the impact of exchange rate fluctuations has been assessed as very low.

### 29.5 Credit risk

Credit risk is the risk of loss due to the inability or unwillingness of a counterparty to meet its contractual obligations. Credit risk arises from such activities of ZAMCO as advances to clients and deposits made with other institutions and the settlement of financial market transactions.

Credit mitigation is employed by ZAMCO through taking collateral mostly in the form of immovable property and other guarantees. ZAMCO is exposed to credit risk from its operating activities, financing activities including deposits with banks and financial institutions, foreign exchange transactions and other financial instruments.

Credit risk from balances with banks and financial institutions is managed by ZAMCO's Investment and Asset Management department in accordance with ZAMCO's policy.

### 29.5.1 Concentration of credit risk

ZAMCO deals with a variety of clients and its loans and advances are structured and spread among them. In addition, ZAMCO has procedures and policies in place to limit the amount of credit exposure to any counterparty. ZAMCO reviews, on a regular basis, the performance of counterparties and takes action accordingly to ensure that exposure limits are not exceeded. ZAMCO was not exposed to any concentration risk as at year end.

### 29.5.2 Credit risk measurement

ZAMCO assesses the probability of default of financial institutions or counterparty using internal rating scale tailored to the various categories of counterparties. The rating scale has been developed internally and combines data analysis with credit officer judgment and is validated, where appropriate, by comparison with externally available information. Clients of ZAMCO are segmented into five rating classes. ZAMCO's rating scale, which is shown below, reflects the range of default probabilities defined for each rating class. This means that, in principle, exposures migrate between classes as the assessment of their probability of default changes. The rating scale is kept under review and upgraded as necessary. ZAMCO regularly validates the performance of the rating and their predictive power with regard to default events.

**Internal Ratings Scale**

| Rating Grade | Description of the rating | IFRS 9 Classification |
|---|---|---|
| | | |
| 1 | Pass | Stage 1 |
| 2 | Special Mention | Stage 2 |
| 3 | Sub-standard | Stage 2 |
| 4 | Doubtful and bad | Stage 3 |
| 5 | Loss | Stage 3 |

# NOTES TO THE COMPANY FINANCIAL STATEMENTS
For the year ended 31 December 2020

## 9.5 Credit risk continued

Classification of financial assets according to credit risk (Gross carrying amounts)

| | Inflation Adjusted | | | | Historical | | | |
|---|---|---|---|---|---|---|---|---|
| | Stage 1 | Stage 2 | Stage 3 | Total | Stage 1 | Stage 2 | Stage 3 | Total |
| | ZWL | ZWL | ZWL | ZWL | ZWL | ZWL | ZWL | ZWL |
| **Credit Risk Analysis (2020)** | | | | | | | | |
| Cash and bank balances | 213,408,180 | - | - | 213,408,180 | 213,408,180 | - | - | 213,408,180 |
| Loans and advances | 31,824,135 | - | 387,799,453 | 419,623,588 | 31,824,135 | - | 387,799,453 | 275,770,505 |
| Debt asset conversion assets | - | - | 35,466,994 | 35,466,994 | - | - | 35,466,994 | 35,466,994 |
| Preference shares held | - | - | 6,320,443 | 6,320,443 | - | - | 6,320,443 | 3,364,363 |
| Receivables | 9,811,878 | - | - | 9,811,878 | 6,421,405 | - | - | 6,421,405 |
| **Total** | **255,044,193** | **-** | **429,586,890** | **684,631,083** | **251,653,720** | **-** | **429,586,890** | **681,240,610** |
| **Credit Risk Analysis (2019)** | | | | | | | | |
| Cash and bank balances | 640,615,293 | - | - | 640,615,293 | 142,801,938 | - | - | 142,801,938 |
| Loans and advances | 10,919,103 | - | 3,760,997,284 | 3,771,916,387 | 2,434,040 | - | 838,377,873 | 840,811,913 |
| Debt asset conversion assets | - | - | 170,201,592 | 170,201,592 | - | - | 37,940,270 | 37,940,270 |
| Preference shares held | - | - | 179,856,776 | 179,856,776 | - | - | 40,092,543 | 40,092,543 |
| Receivables | 12,101,034 | - | - | 12,101,034 | 2,654,033 | - | - | 2,654,033 |
| **Total** | **812,995,689** | **-** | **4,111,055,652** | **4,924,051,341** | **196,803,465** | **-** | **916,410,686** | **1,113,214,151** |

### 29.6 Credit risk exposure

The table below shows the maximum exposure to credit for the components of the statement of financial position.

| | Inflation Adjusted | | Historical | |
|---|---|---|---|---|
| | 2020 | 2019 | 2020 | 2019 |
| | ZWL | ZWL | ZWL | ZWL |
| Cash and bank balances | 213,408,180 | 640,615,293 | 213,408,180 | 142,801,938 |
| Receivables | 9,811,878 | 12,101,034 | 6,421,405 | 2,654,033 |
| Loans and advances | 275,770,505 | 2,868,797,832 | 275,770,505 | 639,494,396 |
| Debt Asset Conversion | 35,466,994 | 35,466,994 | 35,466,994 | 37,816,338 |
| Preference shares held | 3,364,363 | 10,987,842 | 3,364,363 | 2,449,341 |
| | **537,821,920** | **3,567,968,995** | **534,431,447** | **825,216,046** |

ZAMCO held collateral worth ZWL323million (2019 – ZWL645 million) on advances to clients. The collateral held by ZAMCO is in the form of real estate.

### 29.7 Liquidity risk

Liquidity risk is the risk that an entity may not be able to accommodate decreases in liabilities or to fund increases in assets in full at the time that a commitment or transaction is due for settlement. Due to the multi-currency regime ZAMCO faces liquidity risk on domestic and foreign assets as it does not have capacity to create local currency when required. ZAMCO faces liquidity risk in respect of foreign assets and liabilities and its risk is further compounded by the fact that ZAMCO is undercapitalized. Due to these challenges, it has been difficult for ZAMCO to settle its liabilities as they fall due. However, the Government, through the Ministry of Finance and Economic Development, has pledged continued support to ZAMCO. The Government has started the process of taking over ZAMCO's liabilities.

The table below analyses ZAMCO's financial assets and financial liabilities into relevant maturity groups and the amounts disclosed in the table are the contractual undiscounted cash flows.

## NOTES TO THE COMPANY FINANCIAL STATEMENTS
For the year ended 31 December 2020

### 29.7.1 Maturity Analysis (2020)

| | INFLATION ADJUSTED | | | | | |
|---|---|---|---|---|---|---|
| | On Demand | Due Between 0-3 Months | Due Between 3-12 Months | Due Between 1-5 Years | Due After 5 Years | Total |
| | ZWL | ZWL | ZWL | ZWL | ZWL | ZWL |
| **Non-derivative liabilities** | | | | | | |
| Loans and borrowings | - | 17,108,782 | 8,584,224 | 98,986,252 | 38,283,003 | 162,962,261 |
| Treasury bills in issue | - | - | 7,199,358 | 85,224,507 | 1,164,965,330 | 1,257,389,195 |
| Payables | 45,851,749 | - | - | - | - | 45,851,749 |
| **Total Non-derivative liabilities** | **45,851,749** | **17,108,782** | **15,783,582** | **184,210,759** | **1,203,248,333** | **1,466,203,205** |
| **Assets held for managing liquidity risk** | | | | | | |
| Cash and bank balances | 213,408,180 | - | - | - | - | 213,408,180 |
| Financial Securities | 36,763,695 | - | - | - | 38,283,003 | 75,046,698 |
| Loans and receivables | 1,955,713 | 14,857,125 | 139,678,225 | 311,196,113 | - | 467,687,176 |
| Debt asset conversion assets | - | - | - | 39,013,693 | - | 39,013,693 |
| Preference shares held | - | - | - | 6,699,670 | - | 6,699,670 |
| Local Shares | - | - | 830,903,630 | - | - | 830,903,630 |
| **Total assets held for managing liquidity risk** | **252,127,588** | **14,857,125** | **970,581,855** | **356,909,476** | **38,283,003** | **1,632,759,047** |
| **Net exposure** | **206,275,839** | **(2,251,657)** | **954,798,273** | **172,698,717** | **(1,164,965,330)** | **166,555,842** |

### 29.7.1 Maturity Analysis (2020)

| | Historical | | | | | |
|---|---|---|---|---|---|---|
| | On Demand | Due Between 0-3 Months | Due Between 3-12 Months | Due Between 1-5 Years | Due After 5 Years | Total |
| | ZWL | ZWL | ZWL | ZWL | ZWL | ZWL |
| **Non-derivative liabilities** | | | | | | |
| Loans and borrowings | - | 17,108,782 | 8,584,224 | 98,986,252 | 38,283,003 | 162,962,261 |
| Treasury bills in issue | - | - | 7,199,358 | 85,224,507 | 1,164,965,330 | 1,257,389,195 |
| Payables | 45,851,749 | - | - | - | - | 45,851,749 |
| Total Non-derivative liabilities | 45,851,749 | 17,108,782 | 15,783,582 | 184,210,759 | 1,203,248,333 | 1,466,203,205 |
| **Assets held for managing liquidity risk** | | | | | | |
| Cash and bank balances | 213,408,180 | - | - | - | - | 213,408,180 |
| Financial Securities | 36,763,695 | - | - | - | 38,283,003 | 75,046,698 |
| Loans and receivables | 1,955,713 | 14,857,125 | 139,678,225 | 311,196,113 | - | 467,687,176 |
| Debt asset conversion assets | - | - | - | 39,013,693 | - | 39,013,693 |
| Preference shares held | - | - | - | 6,699,670 | - | 6,699,670 |
| **Local Shares** | **-** | **-** | | **-** | **-** | **830,903,630** |
| **Total assets held for managing liquidity risk** | **252,127,588** | **14,857,125** | **970,581,855** | **356,909,476** | **38,283,003** | **1,632,759,047** |
| **Net exposure** | **206,275,839** | **(2,251,657)** | **954,798,273** | **172,698,717** | **(1,164,965,330)** | **166,555,842** |

# NOTES TO THE COMPANY FINANCIAL STATEMENTS
For the year ended 31 December 2020

## 29.7.1 Maturity Analysis (2019)

| | INFLATION ADJUSTED | | | | | |
|---|---|---|---|---|---|---|
| | On Demand | Due Between 0-3 Months | Due Between 3-12 Months | Due Between 1-5 Years | Due After 5 Years | Total |
| | ZWL | ZWL | ZWL | ZWL | ZWL | ZWL |
| **Non-derivative liabilities** | | | | | | |
| Loans and borrowings | - | 66,058,087 | 34,975,564 | 442,425,117 | 180,326,062 | 723,784,830 |
| Treasury bills in issue | - | 1,616,616 | 23,185,392 | 258,421,715 | 4,547,720,722 | 4,830,944,445 |
| Payables | 78,555,505 | - | - | - | - | 78,555,505 |
| **Total Non-derivative liabilities** | **78,555,505** | **67,674,703** | **58,160,956** | **700,846,332** | **4,728,046,784** | **5,633,284,780** |
| **Assets held for managing liquidity risk** | | | | | | |
| Cash and bank balances | 640,615,293 | - | - | - | - | 640,615,293 |
| Financial Securities | 92,226,957 | - | - | - | 171,739,106 | 263,966,063 |
| Loans and receivables | 50,348,812 | 166,752,199 | 1,040,998,660 | 2,303,057,095 | 414,073,445 | 3,975,230,211 |
| Debt asset conversion assets | - | - | - | 187,221,751 | - | 187,221,751 |
| Preference shares held | - | - | - | 188,849,615 | - | 188,849,615 |
| **Local Shares** | **-** | **505,360,632** | **-** | **-** | **-** | **505,360,632** |
| **Total assets held for managing liquidity risk** | **783,191,062** | **672,112,831** | **1,040,998,660** | **2,679,128,461** | **585,812,551** | **5,761,243,565** |
| **Net exposure** | **704,635,557** | **604,438,128** | **982,837,704** | **1,978,281,629** | **(4,142,234,233)** | **127,958,785** |

## NOTES TO THE COMPANY FINANCIAL STATEMENTS
For the year ended 31 December 2020

### 29.7.1 Maturity Analysis (2019)

| | Historical | | | | | |
|---|---|---|---|---|---|---|
| | On Demand | Due Between 0-3 Months | Due Between 3-12 Months | Due Between 1-5 Years | Due After 5 Years | Total |
| | ZWL | ZWL | ZWL | ZWL | ZWL | ZWL |
| **Non-derivative liabilities** | | | | | | |
| Loans and borrowings | - | 14,725,254 | 7,796,533 | 103,318,944 | 38,283,003 | 164,123,734 |
| Treasury bills in issue | - | 360,366 | 5,168,342 | 112,468,361 | 1,062,023,122 | 1,180,020,190 |
| Payables | 17,511,100 | - | - | - | - | 17,511,100 |
| **Total Non-derivative liabilities** | **17,511,100** | **15,085,620** | **12,964,875** | **215,787,305** | **1,100,306,125** | **1,361,655,025** |
| **Assets held for managing liquidity risk** | | | | | | |
| Cash and bank balances | 142,801,938 | - | - | - | - | 142,801,938 |
| Financial Securities | 20,558,654 | - | - | - | 38,283,003 | 58,841,657 |
| Loans and receivables | 11,223,441 | 37,171,353 | 171,628,761 | 542,146,803 | 221,169,771 | 983,340,129 |
| Debt asset conversion assets | - | - | - | 41,734,297 | - | 41,734,297 |
| Preference shares held | - | - | - | 44,101,797 | - | 44,101,797 |
| **Local Shares** | **-** | **-** | **112,651,818** | **-** | **-** | **112,651,818** |
| **Total assets held for managing liquidity risk** | **174,584,033** | **37,171,353** | **284,280,579** | **627,982,898** | **259,452,774** | **1,383,471,637** |
| **Net exposure** | **157,072,933** | **22,085,733** | **271,315,704** | **412,195,593** | **(840,853,351)** | **21,816,612** |

### 29.7.3 Default and breaches disclosure

As at reporting date, ZAMCO was not in default for any of the loans and payables.

### 29.7.4 Secured and unsecured Loans and Advances (2020)

| | Inflation Adjusted | | | Historical | | |
|---|---|---|---|---|---|---|
| | Security Value | Unsecured Value | Total | Security Value | Unsecured Value | Total |
| | ZWL | ZWL | ZWL | ZWL | ZWL | ZWL |
| **Financial Assets** | | | | | | |
| Loans and advances | 275,770,505 | - | 275,770,505 | 275,770,505 | - | 275,770,505 |
| Debt asset conversion assets | 35,466,994 | - | 35,466,994 | 35,466,994 | - | 35,466,994 |
| Receivables | - | 9,811,878 | 9,811,878 | - | 6,421,405 | 6,421,405 |
| Financial securities | 75,046,698 | - | 75,046,698 | 75,046,698 | - | 75,046,698 |
| **Total** | **386,284,197** | **9,811,878** | **396,096,075** | **386,284,197** | **6,421,405** | **392,705,602** |
| **Secured and Unsecured Financial Liabilities** | | | | | | |
| Treasury bills in issue | - | 1,020,338,179 | 1,020,338,179 | - | 1,020,338,179 | 1,020,338,179 |
| Long term loans & borrowings | - | 55,321,462 | 55,321,462 | - | 55,321,462 | 55,321,462 |
| Other loans and dues | - | 102,927,168 | 102,927,168 | - | 102,927,168 | 102,927,168 |
| Payables | - | 45,851,749 | 45,851,749 | - | 45,851,749 | 45,851,749 |
| **Total** | **-** | **1,224,438,558** | **1,224,438,558** | **-** | **1,224,438,558** | **1,224,438,558** |

The security held on the financial assets is in the form of Government guarantees and real estate.

### 29.7.5 Secured and unsecured Loans and Advances (2019)

| | Inflation Adjusted | | | Historical | | |
|---|---|---|---|---|---|---|
| | Security Value | Unsecured Value | Total | Security Value | Unsecured Value | Total |
| | ZWL | ZWL | ZWL | ZWL | ZWL | ZWL |
| **Financial Assets** | | | | | | |
| Loans and advances | 2,868,797,832 | - | 2,868,797,832 | 639,494,396 | - | 639,494,396 |
| Debt asset conversion assets | 169,645,627 | - | 169,645,627 | 37,816,338 | - | 37,816,338 |
| Receivables | - | 12,101,034 | 12,101,034 | - | 2,654,033 | 2,654,033 |
| Financial securities | 263,966,063 | - | 263,966,063 | 58,841,657 | - | 58,841,657 |
| **Total** | **3,302,409,522** | **12,101,034** | **3,314,510,556** | **736,152,391** | **2,654,033** | **738,806,424** |
| **Secured and Unsecured Financial Liabilities** | | | | | | |
| Treasury bills in issue | - | 4,602,080,519 | 4,602,080,519 | - | 1,025,866,888 | 1,025,866,888 |
| Long term loans & borrowings | - | 277,587,436 | 277,587,436 | - | 61,878,048 | 61,878,048 |
| Other loans and dues | - | 416,542,576 | 416,542,576 | - | 92,853,055 | 92,853,055 |
| Payables | - | 78,555,505 | 78,555,505 | - | 17,511,100 | 17,511,100 |
| **Total** | **-** | **5,374,766,036** | **5,374,766,036** | **-** | **1,198,109,091** | **1,198,109,091** |

The security held on the financial assets is in the form of Government guarantees and real estate.

NOTES TO THE COMPANY FINANCIAL STATEMENTS
For the year ended 31 December 2020

## 30. CAPITAL MANAGEMENT

ZAMCO's objectives when managing capital which is a broader concept than the equity on the face of financial position, are:

* To safeguard ZAMCO's ability to continue as a going concern so that it can continue to provide returns to shareholders and benefits for other stakeholders.

* To maintain a strong capital position necessary for its term financial health, and to support the development of its business.

ZAMCO is not subject to capital requirements by a regulatory body.

The table below summarises the composition of ZAMCO's capital for the year ended 31 December 2020.

| | Inflation Adjusted | | Historical | |
|---|---|---|---|---|
| | 2020 | 2019 | 2020 | 2019 |
| | ZWL | ZWL | ZWL | ZWL |
| Share capital | 27,864 | 27,864 | 1,000 | 1,000 |
| Share premium | 983,215,404 | 983,215,404 | 35,286,521 | 35,286,521 |
| Retained Earnings | 2,589,574,795 | 360,848,144 | 2,912,077,102 | 250,937,509 |
| | **3,572,818,063** | **1,344,091,412** | **2,947,364,623** | **286,225,030** |

The allocation of capital between specific business operations is largely driven by optimisation of the return achieved on the capital allocated. The Board of Directors sets the assets and liability management policies which determine the eventual asset allocation dependent on the strategic objectives of ZAMCO.

ZAMCO uses return on capital employed, synergies with other operations and activities, fit with the longer term strategic objectives of ZAMCO and availability of management and other resources in allocating its capital expenditure activities.

ZAMCO's policies in respect of capital management and allocation are reviewed regularly by the Board of Directors.

## 31. RELATED PARTY INFORMATION

ZAMCO is wholly owned by the Reserve Bank of Zimbabwe. During the year 2020, there were no sales/service transactions between ZAMCO and the RBZ.

ZAMCO had a controlling interest in Starafricacorporation Limited as at 31 December 2020. The results of the subsidiary are presented in the group financial report for the year 2020. There were no intercompany transactions between ZAMCO and Starafricacorporation during the period.

### 31.1 Compensation of key management personnel of ZAMCO.

As required by IAS 24 Related Party Disclosures, key management remuneration and non-Executive Directors' fees are broken down as:

| | Inflation Adjusted | | Historical | |
|---|---|---|---|---|
| | 2020 | 2019 | 2020 | 2019 |
| | ZWL | ZWL | ZWL | ZWL |
| Directors fees and short-term employee benefits* | **14,680,324** | **10,868,703** | **11,400,738** | **1,029,399** |

* The short term benefits comprise of directors' emoluments and key management personnel allowances.

### 31.2 Balances with related parties

| | Inflation Adjusted | | Historical | |
|---|---|---|---|---|
| | 2020 | 2019 | 2020 | 2019 |
| | ZWL | ZWL | ZWL | ZWL |
| Reserve Bank of Zimbabwe (Parent) | 72,122,144 | 306,349,277 | 72,122,144 | 68,289,457 |
| Government of Zimbabwe (Owner of Parent) | 32,031,490 | 143,694,565 | 32,031,490 | 32,031,490 |
| | **104,153,634** | **450,043,842** | **104,153,634** | **100,320,947** |

The movement during the year arose from payments made on behalf of ZAMCO by the Reserve Bank of Zimbabwe.

NOTES TO THE COMPANY FINANCIAL STATEMENTS
For the year ended 31 December 2020

## 32. COMPARATIVE FIGURES

Comparative figures used in this report represent figures from 2019 audited financial statements, adjusted for inflation according to the procedure in note 2 to the financial statements.

## 33. EVENTS AFTER REPORTING PERIOD

### COVID-19

World Health Organisation declared the covid-19 disease a pandemic in March 2020 and the disease remains a major challenge to the certainty of the current business environment. The pandemic limits human interaction and as such, the operations of ZAMCO remain limited in that regard.

Staff has been encouraged and resourced to work from home. Engagements with clients have also been limited to virtual, unless critically important and unavoidable. The extent, impact and duration of the pandemic remain uncertain and dependent on future developments, which cannot be predicted at this time.

Management continues to monitor developments in relation to the pandemic with a view to safeguarding the health of staff and clients. Protective equipment, fumigation of premises and working-from-home expenditures are some of the emergent costs that the entity faces as it continues offering services during this pandemic.

### SALE OF STAR AFRICA CORPORATION

ZAMCO disposed of its entire shareholding in Star Africa Corporation, with the transaction obtaining requisite regulatory approvals in September 2021. The shares were disposed of at a value of $0.398 per share, which resulted in receipts amounting to $1.098 billion.

## 34. GOING CONCERN

The continued prevalence of the Covid-19 pandemic casts significant uncertainty on the operating environment in general. However, ZAMCO management assessed the impact of the pandemic, financial performance, maturity profile for its financial assets and liabilities, cashflow management, support from the Government and RBZ, and concluded that the entity will continue to realise its assets and liabilities in the ordinary course of business.

Accordingly, these financial statements are therefore prepared on a going concern basis.


ZIMBABWE ASSET MANAGEMENT CORPORATION (PVT) LIMITED

# 2020 ANNUAL REPORT AND FINANCIAL STATEMENTS