Infrastructure Development Bank of Zimbabwe

NATIONAL GROWTH AND TRANSFORMATION ENABLERS

ABRIDGED AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE TWELVE MONTHS ENDED 31 DECEMBER 2019

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CHAIRMAN'S STATEMENT

Background

Zimbabwe faced a challenging macroeconomic environment in 2019, which led to a 6.5% GDP decline against a projected 3.1% growth, (Ministry of Finance and Economic Development, 2019). This was mainly attributed to drought, high inflation, persistent foreign currency shortages, exchange rate instability and inadequate infrastructure. The Government of Zimbabwe came up with measures to stimulate production and ensure macroeconomic stability and anchored on these, a 3% GDP growth is anticipated in 2020 (ibid).

Contribution to Vision 2030

In 2019, the Government undertook critical fiscal reforms that enhanced fiscal discipline in line with the Transitional Stabilisation Programme (TSP) and towards the achievement of Vision 2030. The Bank expects to benefit from the stabilisation measures and the anticipated decline in inflation as it seeks to mobilise long term funding for infrastructure development in support of the TSP and Vision 2030.

The country reform agenda included the enactment of the Zimbabwe Investment and Development Agency Act (ZIDA) to provide for the promotion, entry, protection and facilitation of investment. The success of these reforms, together with progress on the ongoing re-engagement efforts and the external debt clearance strategy, are critical for the Bank's resource mobilisation programme for infrastructure development initiatives. As a result, the country's ranking improved from 150 to 140 on the World Bank Ease of Doing Business rankings.

Government has managed to see take-off of some of its flagship infrastructure projects in 2019. These include the Hwange 7 and 8 Thermal Power Station Expansion, Harare – Beitbridge Road Rehabilitation and Dualisation, New Parliament Building and the R.G Mugabe International Airport upgrade and expansion. The Bank complemented Government in infrastructure development in 2019 through monitoring implementation of some of these and other projects in various infrastructure sectors (transport, water & sanitation, irrigation and housing). A total of ZWL1.6 billion was disbursed through the IDBZ towards public sector projects.

The African Development Bank (AfDB, 2019) estimates that to close the infrastructure gap, the country requires about US$ 3.4 billion per year for 10 years from 2020. This brings to the fore the need for the mobilisation of private sector, donor agencies and other development partners towards infrastructure development.

As of 2019, the Bank had committed more than ZWL 10 million towards financing project preparation, with Treasury availing an additional ZWL 2.5 million. These resources are critical to support the development of projects to bankability, a critical pre-condition for successfully promoting infrastructure projects for investment. The Bank's Project Preparation and Development Facility (PPDF) will crowd in further funding support from the private sector and other development partners.

Cognisant of Government's Devolution Agenda, the Bank continues to take a national outlook in its operations as evidenced by its growing physical presence across the country. The Bank now has regional offices in Masvingo and Bulawayo. This is expected to accelerate collaboration between the Bank and local authorities as well as with other players in the infrastructure value chain including the private sector.

As reported last year, the Bank remains steadfast in the execution of a national programme to modernize teaching and learning facilities at universities and institutions of higher learning in order to promote human capital development. In this regard, significant progress has been made in the construction of the Bulawayo Students Accommodation Complex (BSAC).

Bank Performance

Despite the challenging macroeconomic environment, the Bank continued with its various projects in the housing and social sectors in 2019. On completion, these projects will contribute to making our cities and human settlements inclusive, safe, resilient and sustainable (SDG 11) as well as ensure inclusive and equitable quality education that promotes life-long learning opportunities for all (SDG 4).
The Bank remains on course to achieving accreditation to the Green Climate Fund (GCF). To complement this, the Bank is also working towards establishing its own Climate Finance Facility (CFF) as a platform for mobilising funding from various climate finance sources, including DFIs and Multilateral Finance Institutions, in support of climate investments. The CFF is currently undergoing a feasibility study to develop a legal and governance structure, operational framework, capitalization structure and funding products.

Institutional Reforms

Government continues to support the Bank's institutional reforms and partial privatization under the Institutional Support for State Enterprises Reforms and Delivery Project (ISERDP). Focus is now on the development of a long-term strategy aligned to the Country's Vision 2030 as the Bank's Medium-Term Strategy (2016- 2020) comes to an end. Consequently, the Bank has appointed a Financial Advisor to coordinate efforts to attract funding support from strategic partners in line with the Bank's long-term resource mobilization and capitalisation plan.

Appreciation

I would like to extend my sincere gratitude to all stakeholders who continue to contribute towards the achievement of the Bank's mandate. My appreciation also goes to the Government of Zimbabwe through the Ministry of Finance and Economic Development and the Reserve Bank of Zimbabwe for availing an additional ZWL 122 million towards the Bank's capitalisation. In the same vein, the Bank is grateful for the technical assistance and funding it continues to receive from cooperating partners.

The support received from our valued customers, suppliers and business partners is invaluable, and we wish to continue working together towards achieving Vision 2030. I am indebted to the Board, Management and Staff who are enduring the obtaining economic environment to deliver the Bank's mandate.

Joseph Mutizwa
Chairman of the Board
Date : 26 March 2020

CHIEF EXECUTIVE OFFICER'S STATEMENT

Bank Operations

The Bank's Work Programme and Budget theme for 2019 was, "Economic Transformation through Infrastructure Development." In line with this thrust, the Bank has remained relentless in the preparation and development of infrastructure projects in the housing, energy, transport, water and sanitation, and irrigation sectors. During the period under review, the Bank has managed to commit to the pipeline projects worth more than US$607 million. Some of these projects are expected to reach bankability in the second half of 2020.

During the reporting period the Bank raised ZWL39 million towards project financing activities. Projects under implementation in 2019 comprising of, Kariba Housing Development, Bulawayo Student Accommodation Complex and Empumalanga West (Hwange) Housing were carried over from the previous year 2018.

The Bank's loan book closed the year at ZWL 58.8 million, primarily driven by lending to private sector players under the infrastructure value chain financing window.

Significant progress was registered in the monitoring of Public Sector Investment Programme (PSIP) projects in 2019 with a total of ZWL 1.6 billion being disbursed through the Bank. Projects monitored include the following:

i. Pembi Bridge near Mvurwi Town;
ii. Ngundu - Tanganda Road Reseal Project;
iii. Harare - Masvingo - Beitbridge Road Rehabilitation and Dualisation;
iv. Other road rehabilitation projects include; Mvurwi – Kanyemba Road and Pontoon, Bindura - Shamva Road, Mount Darwin – Mukumbura Road, Chivi-Mandamabwe Road, Gokwe - Siabuwa Road, Mberengwa - West Nicholson Road, Kwekwe - Nkayi Road, Rutenga - Boli- Chikwalakwala Road and Chilonga Bridge; and
v. Dams projects include: Semwa, Bindura, Dande, Causeway, Chivhu, Marovanyati, Gwayi - Shangani and Tuli Manyange.

The Bank was actively involved in the preparation, appraisal and implementation of housing projects across the country. This was in line with the Bank's commitment to develop 10,600 high density, 177 medium density and 992 low density serviced stands by 2020 as captured in the Transitional Stabilisation Program (TSP: 2018-2020). Projects targeted for completion in 2020 include Empumalanga West (Hwange) Housing (2 135 high density stands) and Kariba Housing Development (1 560 high, medium and low density stands).

Several housing sector projects were under preparation in 2019. These projects, which are expected to reach bankability in 2020, are as follows:

- Lupane Students Accommodation Complex;
- Chinhoyi University of Technology Student Accommodation;
- Bindura University of Science Education Student Accommodation;
- Catholic University of Zimbabwe Student Accommodation; and
- Royal Manor Housing.

In line with the green energy initiative and thrust to reduce the energy deficit, the Bank in collaboration with Independent Power Producers (IPPs) developed and prepared projects in the energy sector. The following energy projects are expected to reach bankability in 2020:

- Osborne Mini Hydro – 1.7 MW; and
- Odzani Mini Hydro – 3.6 MW.

In 2019, the Bank continued to work with key stakeholders in the water and sanitation sector to prepare the following projects to reach bankability namely:

- Chiredzi Water Augmentation Project;
- Victoria Falls WASH Project; and
- Irrigation Schemes are planned at the following dams; Biri, Marovanyati, Causeway, Gwayi-Shangani, Semwa, Tuli-Manyange, Bindura and Chivhu.

The Bank is pursuing a recapitalisation initiative whose main objective is to attract funding support from strategic partners who are aligned to the Bank's developmental mandate, and who will facilitate access to long term funding suitable for infrastructure investments. In the meantime, the Bank's shareholders continue to support its operations to ensure that it continues to execute its mandate and remain financially sustainable. Enhancing the Bank's capital base is a key priority that will allow the Bank to build capacity to fund project preparation activities for a growing project pipeline, and also scale up lending activities.

During the year, the Bank deepened its collaborative relationships with various cooperating partners that include AfreximBank, Trade Development Bank, Africa50 and Africa Finance Corporation. The World Bank continues to provide invaluable technical assistance as the Bank develops its Climate Finance capability. In addition, the French Development Agency (AFD) allocated a grant of EUR 500,000, of which EUR 100,000 will go towards the co-financing of the Biri Irrigation Scheme Feasibility Study and the remainder will finance capacity building.

The Bank has further deepened its commitment to sustainability through integration of environmental, social and gender issues in project development and programming. A grant of EUR 50,000 was secured from Hivos, Netherlands to support gender mainstreaming in the Bank's operations.

The Bank will continue utilizing various instruments and funding mechanisms, including infrastructure bonds, structured finance, joint ventures and blended finance, to assist in closing the country's infrastructure gap. The Bank is now focused on the development of a long-term strategy to succeed the Medium-Term Strategy (2016-2020).

Financial Performance (Inflation Adjusted)

The Bank's revenue grew by 1.3% from ZWL82.4 million in 2018 to ZWL83.5 million in 2019. This was driven by strong performance on fee and commission income which grew by 91.8% from a prior year figure of ZWL21.8 million to ZWL41.7 million in the current year. This was as a result of increased recoveries (monitoring fees) from disbursements on Road Maintenance and Development and disbursements on water projects. The growth from prior year was also driven by the application of the interbank exchange rate on Public Sector Investment Programme (PSIP) certified work which is used as the basis for monitoring recoveries. Moreover, the Bank earned some advisory fees from its role as the transaction advisor on Government projects.

Fair value gains of ZWL179.8 million were recorded on investment property as a result of a change in functional currency from United States Dollar (USD) to Zimbabwe Dollar (ZWL) in 2019. However, the Bank made a loss of ZWL866.4 million against a prior year profit of $5.1 million mainly driven by a loss on net monetary position of ZWL1 billion. Total comprehensive loss for the year was ZWL675.8 million against the prior year loss of ZWL13.2 million.

Total assets declined by 64.4% from ZWL3.7 billion at the prior year-end to ZWL1.3 billion as at 31 December 2019 due to continued depreciation in the value of ZWL.

The loan portfolio continued to perform well. The Bank was able to resolve non-performing exposures which resulted in the improvement of the NPL ratio to below 2%, well within the RBZ acceptable threshold of 5%. The Bank continues to strengthen its credit appraisal, monitoring and recovery processes in order to maintain the NPL ratio within the acceptable threshold.

Appreciation

My appreciation goes to the Government, the Ministry of Finance and Economic Development, the Reserve Bank of Zimbabwe and all other stakeholders for their commitment to developing infrastructure which is the bedrock for the attainment of Vision 2030. The Board's incisive guidance and contribution of Management and Staff and support is highly valued.

T. Zondo Sakala
Chief Executive Officer
Date: 26 March 2020

CORPORATE GOVERNANCE

Board of Directors

The current Board of Directors consists of eight (8) directors, only one of whom is an executive director. The size of the Board is considered adequate for the current size of the Bank's operations. The Chairman of the Board is a non executive director.

The duties and responsibilities of the Board are outlined in section 4A of the Infrastructure Development Bank of Zimbabwe Act (Chapter 24:14). The Board is responsible for formulating and implementing policies and strategies necessary for the achievement of the Group's objectives.

A new 8 member board was appointed by the Minister of Finance and Economic Development Hon Prof Mthuli Ncube on the 24th of June 2019. The new board comprises of :-

- Joseph Mutizwa (Chairman)
- Kupukile Mlambo
- Luke E. M. Ngwerume
- Sibusisiwe P. Bango
- Reginald Mugwara
- Jeremiah Mutonga
- Tadious Muzorora
- Nobert Mugwagwa

BOARD ATTENDANCE RECORDS - FY2019

	Main Board	Audit Committee	Finance, Risk Management & ICT	Human Resources	Corp Govern, Ethics & Sustainability
NEW BOARD (JULY-DEC 2019)	**5**	**2**	**2**	**3**	**1**
Mutizwa Joseph	5	-	2	-	-
Mlambo Kupukile	4	-	2	-	1
Bango Sibusisiwe P	4	2	-	3	-
Mugwara Reginald	5	2	-	3	-
Mugwagwa Norbert	2	-	1	2	-
Mutonga Jeremiah	4	2	-	-	1
Muzoroza Tadios	5	-	-	3	1
Ngwerume Luke E	4	1	2	-	

	Main Board	Audit Committee	Finance, Risk Management & ICT	Human Resources	Corp Govern, Ethics & Sustainability
OLD BOARD (JAN-JUN 2019)	**3**	**2**	**2**	**2**	**2**
Mhakayakora Joseph	2	-	-	-	-
Kudenga Nelson	2	-	-	2	2
Choga Vavarirai	3	2	-	-	2
Tawha Charles	2	1	2	-	2
Sangarwe Magaret	3	-	2	2	2
Kunaka Pfungwa	2	1	2	2	-
Chiromo Norbert	-	2	-	-	-
Jinda Emmanuel	-	-	-	1	-
TOTAL MEETINGS IN FY2019	**8**	**4**	**4**	**5**	**3**

Meeting Dates - H1	15-Feb-19	20-Mar-19	3-Apr-19	20-Mar-19	20-Feb-19
	10-Apr-19	22-May-19	18-Jun-19	22-May-19	8-May-19
	5-Jun-19				
Meeting Dates - H2	29-Jul-19	7-Aug-19	25-Sep-19	4-Sep-19	23-Oct-19
	28-Aug-19	31-Oct-19	11-Dec-19	10-Sep-19	
	16-Sep-19			13-Nov-19	
	18-Nov-19				
	17-Dec-19				

PSGRS – Development Finance Institutional Rating

The Bank was rated under the Prudential Standards, Guidelines and Rating System (PSGRS). The framework falls under the purview of African Association of Development Finance Institutions (AADFI) and requires Independent validation of the rating by an external auditor. The Bank's 2019 rating was assigned a grade of "A+" and validated by our external auditors Baker Tilly. The rating was done as at 31 December 2018 covering one year to 31 December 2019. The rating scale evaluates three critical areas; governance, financial and operational standards. The risk assessment ratings are summarised below;

PSGRS Standard	Maximum possible weight	2018 score	2017 score
Governance	40%	42.62%	36.4%
Financial	40%	27.83%	27.3%
Operational	20%	17.17%	18.7%
Overall Score		87.62%	82.4%
PSGRS rating		A+	A

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Audit Opinion

These abridged financial results should be read in conjunction with the full set of inflation adjusted consolidated financial statements for the year ended 31 December 2019, which have been audited by Baker Tilly and a qualified opinion issued thereon. The basis for the qualified opinion pertains to non- compliance with International Accounting Standard 21 "The Effects of Changes in Foreign Exchange Rates" regarding the translation of items on the date of change in functional currency as well as the contradiction between the date of change of functional currency, the 21st of February 2019 and effective date of application International Accounting Standard 29 "Reporting in Hyperinflationary Economies". The translation of monetary assets, liabilities and prepayments at an exchange rate of 1USD:1ZWL was done by Directors in-order to achieve faithful representation and also to comply with the requirements of Statutory Instrument 33 of 2019. The audit report includes a report on other legal and regulatory requirements and key audit matters.

The auditor's report on these inflation adjusted consolidated financial statements is available for inspection at the Banks's registered office.

Baker Tilly, Harare, Zimbabwe

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2019

		Inflation Adjusted		Historical	
	Note	2019 ZWL	2018 ZWL	2019 ZWL	2018 ZWL
Interest and related income	19	70 385 732	85 446 359	23 194 706	13 756 036
Interest and related expense	19.2	(29 042 400)	(36 111 483)	(9 063 686)	(5 813 599)
Net interest income		**41 343 332**	**49 334 876**	**14 131 020**	**7 942 437**
Property sales		262 217	29 194 499	79 878	4 700 032
Cost of sales		(26 541)	(18 219 147)	(5 964)	(2 933 106)
Gross profit		235 676	10 975 352	73 914	1 766 926
Fee and commission income		41 741 166	21 765 710	23 463 414	3 504 068
Dividend income		169 218	313 497	47 603	50 470
Revenue		**83 489 392**	**82 389 435**	**37 715 951**	**13 263 901**
Other income		7 042 472	2 180 833	4 533 239	351 093
Loan impairment charge		1 751 270	12 946 795	1 751 270	2 084 309
Fair value gain/ (loss) on investment property		179 846 994	(6 597 074)	179 846 994	(1 062 065)
Net gain / (loss) on financial assets at fair value through profit or loss		338 406	(10 758)	338 406	(1 731)
Net foreign exchange gain/(loss)		15 132 385	(58 184)	7 070 553	(9 367)
Operating expenses		(109 407 236)	(79 853 192)	(40 488 018)	(12 855 592)
Interest expense on lease liabity		(645)	-	(645)	-
Share of loss of associate		(380 783)	(710 279)	(116 050)	(114 346)
Loss on disposal of associate		-	(5 343 850)	-	(860 308)
Profit for the year before taxation		**177 812 255**	**4 943 726**	**190 651 700**	**795 894**
Income tax credit		(5 535)	115 659	(5 535)	18 620
Profit for the year		**177 806 720**	**5 059 385**	**190 646 165**	**814 514**
Loss on net monetary position		(1 044 210 339)	-	-	-
(Loss)/Profit for the period		**(866 403 619)**	**5 059 385**	**190 646 165**	**814 514**
Other comprehensive income					
Items that may be reclassified to profit and loss					
Share of profit of associate		23 185	-	7 066	-
Net fair value gain/ (loss) on financial assets at fair value through other comprehensive income	6	90 778 567	(18 305 368)	90 778 567	(2 946 987)
Effects of change in functional currency on available for sale financial assets	6	37 040 167	-	6 714 676	-
Revaluation surplus on land and buildings		62 720 910	-	62 720 910	-
Other comprehensive income/ (loss) for the year net of tax		**190 562 829**	**(18 305 368)**	**160 221 219**	**(2 946 987)**
Total comprehensive (loss) / profit for the year		**(675 840 790)**	**(13 245 983)**	**350 867 384**	**(2 132 473)**
Profit for the year attributable to:					
Equity holders of the parent entity		(866 712 868)	5 352 707	190 551 919	861 736
Non-controlling interest		309 249	(293 322)	94 246	(47 222)
		(866 403 619)	**5 059 385**	**190 646 165**	**814 514**
Total comprehensive profit/ (loss) attributable to:					
Equity holders of the parent entity		(686 506 644)	(12 952 661)	340 416 534	(2 085 251)
Non-controlling interest		10 665 854	(293 322)	10 450 850	(47 222)
		(675 840 790)	**(13 245 983)**	**350 867 384**	**(2 132 473)**
(Loss) / profit for the year attributable to equity holders (ZWL cents)	20	(13 276)	82	2919	13

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2019

		Inflation Adjusted		Historical	
	Note	2019 ZWL	2018 ZWL	2019 ZWL	2018 ZWL
ASSETS					
Cash and bank balances	5	196 025 699	1 738 841 147	196 025 699	279 936 582
Inventories	9	368 982 471	147 569 462	73 549 649	23 757 254
Other receivables and prepayments		34 824 226	53 767 248	33 618 193	8 656 006
Loans and advances to customers	8	58 799 101	282 099 315	58 799 101	45 415 257
Investment securities		664 217	1 950 767	664 217	314 054
Financial assets at fair value through other comprehensive income	6	108 968 636	43 872 774	108 968 636	7 063 092
Treasury bills and other financial assets	7	140 971 769	1 186 680 145	140 971 769	191 044 009
Assets pledged as collateral		40 534 763	38 218 867	40 534 763	6 152 867
Investment in associates		17 866 162	18 223 767	2 824 866	2 933 850
Investment property	10	226 010 000	98 328 897	226 010 000	15 830 000
Intangible assets		664 698	776 927	226 854	125 078
Property and equipment	11	109 260 826	55 941 340	85 118 110	9 006 013
Right of use of assets	12	1 845 263	-	1 845 263	-
Deferred taxation		31 879	198 016	31 879	31 879
Total assets		**1 305 449 710**	**3 666 468 672**	**969 188 999**	**590 265 941**
EQUITY AND LIABILITIES					
LIABILITIES					
Deposits from customers	17	63 165 805	218 440 291	63 165 805	35 166 771
Local lines of credit and bonds	18	263 220 973	2 096 409 909	263 220 973	337 501 690
Other liabilities		13 787 686	84 666 974	13 787 686	13 630 563
Lease liability-buildings		1 784 924	-	1 784 924	-
Total liabilities		**341 959 388**	**2 399 517 174**	**341 959 388**	**386 299 024**
EQUITY					
Share capital	13	405 496	405 496	65 281	65 281
Share premium	13	197 438 785	197 438 785	31 785 732	31 785 732
Foreign Currency Translation Reserve	14	362 018 069	(1 593 990)	65 659 316	(256 617)
Amounts Awaiting Allotment	13	810 306 296	807 501 997	130 500 000	130 000 000
Preference share capital	16	237 796 934	237 796 934	38 283 003	38 283 003
Fair value reserve	15	131 741 163	3 922 429	98 124 717	631 474
Revaluation Reserve		52 364 305	-	52 364 305	-
Retained (loss)/profit		(884 466 046)	(17 786 230)	187 721 557	(2 863 414)
Equity attributable to parent owners of the Group		**907 605 002**	**1 227 685 421**	**604 503 911**	**197 645 459**
Non-controlling interest in equity		55 885 320	39 266 077	22 725 700	6 321 458
Total shareholders' equity		**963 490 322**	**1 266 951 498**	**627 229 611**	**203 966 917**
Total equity and liabilities		**1 305 449 710**	**3 666 468 672**	**969 188 999**	**590 265 941**

These financial statements were approved by the Board of Directors and signed on their behalf by:

Joseph Mutizwa	**Thomas Z. Sakala**
(Chairman of the Board)	(Chief Executive Officer)

Date: 26 March 2020

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2019

		Inflation Adjusted		Historical	
	Note	2019 ZWL	2018 ZWL	2019 ZWL	2018 ZWL
Cash flow from operating activities					
Profit for the year		177 812 256	4 943 726	190 651 700	795 894
Adjustments for:					
Depreciation		3 435 806	2 729 103	1 437 785	439 360
Amortisation		207 388	267 269	68 101	43 028
Finance Cost		645	-	645	-
Loan impairment charge		(1 751 270)	(12 946 795)	(1 751 270)	(2 084 309)
Provisions and accruals		3 358 447	1 549 932	3 358 447	249 524
Sundry debtors impairment		-	75 222	.	12 110
Net (gain)/ losses from translation of foreign currency balances		(15 132 385)	58 184	(7 070 553)	9 367
Loss on disposal of investment in associate		-	5 343 850	-	860 308
Discount on sale of Treasury Bills		12 854 806	-	4 022 444	-
Unrealised fair value (gain)/ loss on investment property		(33 773 868)	6 597 074	(179 846 994)	1 062 065
(Gain) / loss on financial assets measured at fair value through profit and loss		(338 406)	10 758	(338 406)	1 732
Share of loss of associate		380 783	710 266	116 050	114 346
		147 054 202	**9 338 589**	**10 647 949**	**1 503 425**
Changes in :					
Loans and advances to customers		223 300 214	31 214 985	(13 383 843)	5 025 310
Other receivables and prepayments		18 943 019	(26 054 387)	(24 962 187)	(4 194 504)
Inventories		(221 413 016)	(47 595 286)	(14 239 069)	(7 662 380)
Deposits from customers		(155 274 484)	(66 785 310)	27 999 034	(10 751 788)
Other liabilities		(70 879 288)	51 869 015	157 123	8 350 406
Net cash used in operating activities		**(58 269 353)**	**(48 012 394)**	**(13 780 993)**	**(7 729 531)**
Cash flow from investing activities					
Acquisition of property and equipment	11	(6 879 606)	(34 275 285)	(2 276 526)	(5 517 989)
Additions of intangible assets		(95 158)	-	(19 000)	-
Disposal of Treasury Bills		1 066 061 081	-	7 927 777	-
Acquisition of financial assets at fair value through other comprehensive income		-	(2 817 202)	-	(453 542)
Proceeds from sale of investment property		262 217	167 712	123 119	27 000
Acquisition of investment property		(17 680 348)	-	(5 598 147)	(3 525 492)
Net cash used in investing activities		**1 041 668 186**	**(36 924 775)**	**157 223**	**(9 470 023)**
Cash flow from financing activities					
Proceeds from issue of bonds		3 720 000	101 437 336	3 720 000	16 330 429
Repayment of bonds		(58 624 940)	(185 133 157)	(29 810 488)	(29 804 645)
Rights issue		2 804 299	17 844 962	500 000	2 872 866
Increase in local lines of credit		(1 819 976 957)	1 657 019 986	(44 696 625)	266 764 166
Net cash generated from financing activities		**(1 872 077 598)**	**1 591 169 127**	**(70 287 113)**	**256 162 816**
Inflation effect on cash and cash equivalents		(654 136 683)	-	-	-
Net increase in cash and cash equivalents		(1 542 815 448)	1 506 231 958	(83 910 883)	238 963 262
Cash and cash equivalents at the beginning of the year		1 738 841 147	232 609 189	279 936 582	40 973 320
Cash and cash equivalents at end of the year	5	**196 025 699**	**1 738 841 147**	**196 025 699**	**279 936 582**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2019

Inflation Adjusted

	Ordinary share capital ZWL	Share premium ZWL	Amounts Awaiting allotment ZWL	Foreign Currency Translation Reserve ZWL	Preference share capital ZWL	Fair value Reserve ZWL	Revaluation Reserve ZWL	Accumulated Losses ZWL	Total before non-controlling interest ZWL	Non controlling interest ZWL	Total equity ZWL
Balance as at 1 January 2018	**277 160**	**55 496 482**	**-**	**(1 593 990)**	**237 796 934**	**22 227 797**	**-**	**(14 831 414)**	**299 372 969**	**33 397 537**	**332 770 506**
Changes on initial application of IFRS 9	-	-	-	-	-	-	-	(2 702 318)	**(2 702 318)**	-	**(2 702 318)**
Non controlling interest from new subsidiaries	-	-	-	-	-	-	-	-	-	6 161 861	**6 161 861**
Acquisition of addition interest in joint operations	-	-	-	-	-	-	-	(5 605 225)	**(5 605 225)**	-	**(5 605 225)**
Profit for the year	-	-	-	-	-	-	-	5 352 727	**5 352 727**	(293 322)	**5 059 405**
Issue of shares	128 336	141 942 303	807 501 997	-	-	-	-	-	**949 572 636**	-	**949 572 636**
Other comprehensive income:	-	-	-	-	-	(18 305 368)	-	-	**(18 305 368)**	-	**(18 305 368)**
Net fair value gain on financial assets at fair value	-	-	-	-	-	-	-	-	-	-	-
Balance as at 31 December 2018	**405 496**	**197 438 785**	**807 501 997**	**(1 593 990)**	**237 796 934**	**3 922 429**	**-**	**(17 786 230)**	**1 227 685 421**	**39 266 077**	**1 266 951 498**
Changes in accounting policy (IFRS 16)	-	-	-	-	-	-	-	33 053	33 053	-	33 053
Restated Balance as at 1 January 2019	**405 496**	**197 438 785**	**807 501 997**	**(1 593 990)**	**237 796 934**	**3 922 429**	**-**	**(17 753 177)**	**1 227 718 474**	**39 266 077**	**1 266 984 551**
Effects of change in functional currency	-	-	-	363 612 060	-	-	-	-	363 612 060	5 953 390	369 565 450
Exchange gain on financial assets at FVOCI (effects of changes in functional currency)	-	-	-	-	-	37 040 167	-	-	37 040 167	-	37 040 167
Revaluation of Property and equipment	-	-	-	-	-	-	52 364 305		52 364 305	10 356 605	62 720 910
Profit for the year	-	-	-	-	-	-	-	(866 712 868)	**(866 712 868)**	309 249	**(866 403 619)**
Rights issue awaiting allotment	-	-	2 804 299	-	-	-	-	-	**2 804 299**	-	**2 804 299**
Net fair value gain on financial assets at fair value	-	-	-	-	-	90 778 567	-	-	**90 778 567**	-	**90 778 567**
Balance as at 31 December 2019	**405 496**	**197 438 785**	**810 306 296**	**362 018 069**	**237 796 934**	**131 741 163**	**52 364 305**	**(884 466 046)**	**907 605 002**	**55 885 320**	**963 490 322**

Historical

	Ordinary share capital ZWL	Share premium ZWL	Amounts Awaiting allotment ZWL	Foreign Currency Translation Reserve ZWL	Preference share capital ZWL	Fair value Reserve ZWL	Revaluation Reserve ZWL	Accumulated Losses ZWL	Total before non-controlling interest ZWL	Non controlling interest ZWL	Total equity ZWL
Balance as at 1 January 2018	**44 620**	**8 934 396**	**-**	**(256 617)**	**38 283 003**	**3 578 460**		**(2 387 714)**	**48 196 148**	**5 376 680**	**53 572 828**
Changes on initial application of IFRS 9	-	-	-	-	-	-	-	(435 047)	**(435 047)**	-	**(435 047)**
Non controlling interest from new subsidiaries	-	-	-	-	-	-	-	-		992 000	**992 000**
Acquisition of addition interest in joint operations	-	-	-	-	-	-	-	(902 387)	**(902 387)**	-	**(902 387)**
Profit for the year	-	-	-	-	-	-	-	861 734	**861 734**	(47 222)	**814 512**
Issue of shares	20 661	22 851 336	130 000 000	-	-	-	-	-	**152 871 997**	-	**152 871 997**
Net fair value gain on financial assets at fair value	-	-	-	-	-	(2 946 986)	-	-	**(2 946 986)**	-	**(2 946 986)**
Balance as at 31 December 2018	**65 281**	**31 785 732**	**130 000 000**	**(256 617)**	**38 283 003**	**631 474**	**-**	**(2 863 414)**	**197 645 459**	**6 321 458**	**203 966 917**
Changes in accounting policy (IFRS 16)	-	-	-	-	-	-	-	33 053	33 053	-	33 053
Restated Balance as at 1 January 2019	**65 281**	**31 785 732**	**130 000 000**	**(256 617)**	**38 283 003**	**631 474**	**-**	**(2 830 361)**	**197 678 512**	**6 321 458**	**203 999 970**
Effects of change in functional currency	-	-	-	65 915 933	-	-	-	-	65 915 933	5 953 390	71 869 323
Exchange gain on financial assets at FVOCI (effects of changes in functional currency)	-	-	-	-	-	6 714 676	-	-	6 714 676	-	6 714 676
Revaluation of Property and equipment	-	-	-	-	-	-	52 364 305	-	52 364 305	10 356 605	62 720 910
Profit for the year	-	-	-	-	-	-	-	190 551 919	**190 551 919**	94 247	**190 646 166**
Rights issue awaiting allotment	-	-	500 000	-	-	-	-	-	**500 000**	-	**500 000**
Net fair value gain on financial assets at fair value	-	-	-	-	-	90 778 567	-	-	**90 778 567**	-	**90 778 567**
Balance as at 31 December 2019	**65 281**	**31 785 732**	**130 500 000**	**65 659 316**	**38 283 003**	**98 124 717**	**52 364 305**	**187 721 557**	**604 503 911**	**22 725 700**	**627 229 612**

SIGNIFICANT ACCOUNTING POLICIES FOR THE YEAR ENDED 31 DECEMBER 2019

1 INFRASTRUCTURE DEVELOPMENT BANK GROUP PROFILE AND PRINCIPAL ACTIVITIES

The Infrastructure Development Bank of Zimbabwe ("IDBZ"/ the "Bank"/the Group") is a development financial institution which is incorporated and domiciled in Zimbabwe under the IDBZ Act (Chapter 24:14). The address of the Bank's registered office is IDBZ House, 99 Rotten Row, Harare, Zimbabwe. IDBZ and its subsidiaries (together the "Group") are primarily involved in mobilising and providing finance for infrastructure development activities and management of infrastructure development projects.

The consolidated financial statements were approved by the directors on 26 March 2020.

2 SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 BASIS OF PREPARATION

These consolidated financial statements for the year ended 31 December 2019 have been prepared in accordance with International Financial Reporting Standards ("IFRS") and International Financial Reporting Interpretation Committee ("IFRIC") interpretations and in the manner required by the Infrastructure Development Bank of Zimbabwe Act (Chapter 24:14) and the Banking Act (Chapter 24:20) and the Companies Act (Chapter 24:03) except for issues indicated on basis for Qualified Opinion paragraph on the Auditors Report.

Functional currency

There was a change in functional currency from the United States Dollar (USD) to RTGS Dollar (ZWL) during the year ended 31 December 2019. The Bank's financial statements are therefore presented in the new functional currency, the ZWL. Refer to note 2.32.2 for additional details on the change in functional currency.

Impact of hyperinflation of financial reporting

The Public Accountants and Auditors Board issued pronouncement 01/2019 on the application of International Accounting Standard ("IAS") 29 'Financial Reporting in Hyperinflationary Economies' in Zimbabwe. The pronouncement requires companies domiciled in Zimbabwe to prepare and present financial statements for financial periods ended on or after 1 July 2019 to apply requirements of Financial Reporting in Hyperinflationary Economies' ("IAS 29").

Appropriate adjustments and reclassifications, including restatements for changes and general purchasing power of the Zimbabwean dollar and for the purposes of fair presentation in accordance with IAS 29, have been made in these financial statements to the historical cost financial information for the current year and prior period using the general Consumer Price Index ("CPI"). As a result, the consolidated financial statements and comparatives are stated in terms of the measuring unit current as at 31 December 2019.

The carrying amounts of non-monetary assets and liabilities are adjusted to reflect the change in the general price index from the date of acquisition to the end of the reporting period.

Gains or losses on the net monetary position are recognised in profit or loss and included in trading profit. All items recognised in the statement of comprehensive income are restated by applying the change in the general price index from the dates when the items of income and expenses were initially earned or incurred.

At the beginning of the first period of application, the components of owners' equity, except retained earnings, are restated by applying a general price index from the dates the components were contributed or otherwise arose. These restatements are recognised in other comprehensive income.

Restated retained earnings are derived from all other amounts in the restated statement of financial position.

At the end of the first period and in the subsequent periods, all components of owners' equity are restated by applying a general price index from the beginning of the period or the date of contribution, if later.

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 sources of the price indices used were: Zimbabwe Statistical office from 2009 to June 2019, and trade economics from June 2019 to 30 September 2019 .

Indices Conversion factors	Indices	Conversion factors
CPI as at 31 December 2019	551.63	1
CPI as at 31 December 2018	88.81	6.21
CPI as at 31 December 2017	62.5	8.83
Movement CPI 2019	462.82	
Movement CPI 2018	26.31	

2.1.1 Consolidation

The Group's consolidated financial results incorporate the financial statements of the Bank and entities controlled by the Bank. Control is achieved when the Bank has power over the investee, is exposed or has rights to variable returns from its involvement with the investee and has the ability to use its power to affect its returns. The Bank reassesses 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 listed above. The results of subsidiaries acquired or disposed of during the year are incorporated from the dates control was acquired and up to the date control ceased.

The financial results of the subsidiaries are prepared for the same reporting period as the Bank, using consistent accounting policies.

All intra-group balances, transactions, income and expenses, profits and losses resulting from intra-group transactions that are recognised in assets and liabilities and income and expenses are eliminated in full.

Non-controlling interests represent the portion of profit and net assets that is not held by the Group and are presented separately in the consolidated statement of profit or loss and other comprehensive income and within equity in the consolidated statement of financial position, separately from parent shareholders' equity.

The financial statements have been prepared on the historical cost basis except for land and buildings, investment property and financial instruments that are measured at revalued amounts or fair values, as explained in the accounting policies below.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Bank takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date.

Fair value for measurement and/or disclosure purposes in these financial statements is determined on such a basis, except for share- based payment transactions that are within the scope of IFRS 2, leasing transactions that are within the scope of IFRS 16, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in IAS 2 or value in use in IAS 36.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
Level 3 inputs are unobservable inputs for the asset or liability.

Comparative financial information

The financial statements comprise the comparative statements of financial position, profit or loss and other comprehensive income, changes in equity and cash flows. The comparative statements are presented together with the comparative notes.

Use of estimates and judgements

The preparation of financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

In the process of applying the Bank's accounting policies, management has made the following judgements which have the most significant effect on the amounts recognised in the financial statements:

Judgement was applied on the following in preparing financial statements:

- Cash generating units for impairment loss computation;
- Classification of financial instruments;
- Use of exchange rates;
- Impairment of assets;
- Useful lives of assets;
- Income taxes;
- Allowances for credit losses;
- Employee benefits accruals and provisions.

Hyperinflation

The Bank exercised judgment in determining the onset of hyperinflation in Zimbabwe:

- Functional currency of the Bank, its subsidiaries, joint arrangements and associates is the currency of a hyperinflationary economy.
- Various characteristics of the economic environment in Zimbabwe were taken into account in assessing whether an economy is hyperinflationary or not. These characteristics include, but are not limited to, the following:
  - The general population prefer to keep its wealth in non-monetary assets or in a relatively stable foreign currency;
  - Prices are quoted in a relatively stable foreign currency;
  - Sales and purchases on credit take place at prices that compensate for the expected loss of purchasing power during the credit period, even if the period is short;
  - Interest rates, wages and prices are linked to a price index; and
  - The cumulative inflation rate over three years is approaching, or exceeds, 100%.

Management exercised judgment as to when a restatement of the financial statements of a Group entity became necessary.

2.2 Foreign currency translation

(a) Functional and presentation currency

Items included in the consolidated financial statements of each of the Group's subsidiaries are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in the Zimbabwean dollar ("ZWL"), which is the functional and presentation currency of the Group.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuations where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of profit and loss and other comprehensive income.

All foreign exchange gains and losses are presented in the statement of profit and loss and other comprehensive income within net foreign exchange gains or losses.

2.3 Consolidation

(a) Subsidiaries

The nature of project finance requires the creation of SPVs to ring fence certain risks. The IDBZ Act allows the Bank to create SPVs to achieve its objectives. Some of these SPVs satisfy the definition of subsidiaries for financial reporting purposes.

Subsidiaries are all entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights.

The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. Control is achieved when the Group:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Group reassesses 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 listed above.

When the Group has less than a majority of the voting rights of the investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Group considers all relevant facts and circumstances in assessing whether or not the Group's voting rights in an investee are sufficient to give it power, including:

- the size of the Group's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Group, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Group has, or does not have, the current ability to direct the relevant
- activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair value of the assets transferred, the liabilities incurred to the former owners of the acquire and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement.

Acquisition-related costs are expensed as incurred. Identifiable assets acquired, liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquiree on an acquisition- by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of acquires identifiable net assets.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through profit or loss.

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with IAS 39 either in profit or loss or as a change to other comprehensive income. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

Goodwill

Goodwill is initially measured as the excess of the aggregate of the consideration transferred and the fair value of non-controlling interest over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognised in profit or loss.

Inter-company transactions, balances, income and expenses on transactions between Group entities are eliminated. Profits or losses resulting from transactions with Group entities that are recognised in assets are also eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

(b) Changes in ownership interests in subsidiaries without change of control

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions – that is, as transactions with the owners in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

(c) Disposal of subsidiaries

When the Group ceases to have control, any retained interest in the entity is re-measured to its fair value at the date when control is lost, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

(d) Associates and Joint Ventures

Associates and Joint Ventures are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting. Under the equity method, the investment is initially recognised at cost, and the carrying amount is increased or decreased to recognise the investor's share of the profit or loss of the investee after the date of acquisition. The Group's investment in associates includes goodwill identified on acquisition.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income is reclassified to profit or loss where appropriate.

The Group's share of post-acquisition profit or loss is recognised in the statement of comprehensive income with a corresponding adjustment to the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.

The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount adjacent to 'share of profit/ (loss) of an associate' in the statement of comprehensive income.

Profits or losses resulting from upstream and downstream transactions between the Group and its associates and joint ventures are recognised in the Group's consolidated financial statements only to the extent of unrelated investor's interests in the associates. Unrealised losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

Dilution gains or losses arising in investments in associates or joint ventures are recognised in the statement of comprehensive income.

The Bank discontinues the use of equity method when it ceases to have significant influence over an Associate. From that point, the investment is accounted for in accordance with IFRS 9 provided the associate does not become a subsidiary. On the loss of significant influence the Bank measures any remaining investment in the associate at fair value. Any difference between the sum total of the fair value of the retained investment and proceeds from disposing of part of the investment compared to the total carrying amount of the investment at the date when significant influence or loss is recognised in profit and loss.

(e) Joint Operations

A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to assets and obligations for the liabilities, relating to the arrangement.

The Group's joint operations are entities over which the Group has contractual arrangements to jointly share the control over the economic activity of the entities with one or more parties. The Group's interest in joint operation is accounted for in the consolidated financial statements using proportionate consolidation.

Proportionate consolidation involves combining the Group's share of the joint operation' income and expenses, assets and liabilities and cash flows of the jointly-controlled entities on a line-by-line basis with similar items in the Group's financial statements. When the Group sells assets to a joint operation, the Group recognises only the portion of gains or losses on the sale of assets that is attributable to the interest of the other operators. The Group recognises the full amount of any loss when the sale provides evidence of a reduction in the net realisable value of current assets or an impairment loss.

The Group accounts for the assets; liabilities ;revenues and expenses relating to its interest in a joint operation in accordance with the IFRS applicable to the particular assets ;liabilities; revenues and expenses.

When the Group purchases assets from a joint operation, it does not recognise its share of the profits of the joint ventures arising from the Group's purchase of assets until it resells the assets to an independent party. However, a loss on the transaction is recognised immediately if the loss provides evidence of a reduction in the net realisable value of current assets or an impairment loss.

2.4 Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition.

Deferred tax

Deferred tax is recognised using the liability method in respect of temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Temporary differences arising out of the initial recognition of assets or liabilities and temporary differences on initial recognition of business combinations that affect neither accounting nor taxable profit are not recognised.

The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the reporting date. Deferred income 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.

In determining the amounts used for taxation purposes the directors referred to applicable effective exchange rates at the date of acquisition of assets or incurring of liabilities. The Zimbabwe Revenue Authority (ZIMRA), announced methods to account for the deferred tax arising on assets purchased in USD. These methods require the preparer to first estimate the equivalent ZWL value of those assets at the time of purchase. Since the measurement of transactions in Zimbabwe dollars in the prior periods is affected by several economic variables such as mode of payment and hyperinflation this is an area where the directors have had to apply their judgement and acknowledge there could be significant variations in the results achieved depending on assumptions made.

2.5 Financial assets and liabilities

2.5.1 Date of recognition

Financial assets and liabilities are initially recognised using trade date accounting, i.e. the date that the Bank becomes a party to the contractual provisions of the instrument. This includes regular way trades: purchases or sales of financial instruments that require delivery of assets within the time frame generally established by regulation or convention in the market place. Loans and advances to customers are recognised when funds are transferred to the customers' accounts. The Bank recognises balances due to customers when funds are transferred to the Bank.

2.5.2. Initial measurement of financial instruments

The classification of financial instruments at initial recognition depends on their contractual terms and the business model for managing the instruments, as described in Note 2.5.6. Financial instruments are initially measured at their fair value as defined in Note 2.1.1, except in the case of financial assets and financial liabilities recorded at Fair Value through Profit or Loss (FVPL) wherein transaction costs are added to, or subtracted from this amount. Trade receivables are measured at the transaction price. When the fair value of financial instruments at initial recognition differs from the transaction price, the Bank accounts for the Day 1 profit or loss as described below.

2.5.3. Day 1 profit or loss

When the transaction price of the instrument differs from the fair value at origination and the fair value is based on a valuation technique using only inputs observable in market transactions, the Bank recognises the difference between the transaction price and fair value in net trading income. In those cases where fair value is based on models for which some of the inputs are not observable, the difference between the transaction price and the fair value is deferred and is only recognised in profit or loss when the inputs become observable, or when the instrument is derecognised.

2.5.4. Measurement categories of financial assets and liabilities

From 1 January 2018, the Bank classified its financial assets based on the business model for managing the assets and the asset's contractual terms, measured at either:

- Amortised cost,
- Fair Value through Other Comprehensive Income (FVOCI); and
- FVPL

The Bank classifies and measures its derivative and trading portfolio at FVPL. The Bank may designate financial instruments at FVPL, if so doing eliminates or significantly reduces measurement or recognition inconsistencies.

Before 1 January 2018, the Bank classified its financial assets as loans and receivables (amortised cost), FVPL, available-for-sale or held-to-maturity (amortised cost).

Financial liabilities, other than loan commitments and financial guarantees, are measured at amortised cost or at FVPL when they are held for trading and derivative instruments or the fair value designation is applied.

2.5.5. Balances due from other banks, Loans and advances to customers and Financial investments at amortised cost

Before 1 January 2018, balances due from other *banks* and *Loans and advances to customers*, included non–derivative financial assets with fixed or determinable payments that were not quoted in an active market, other than those:
- That the Bank intended to sell immediately or in the near term;
- That the Bank, upon initial recognition, designated as at FVPL or as available-for-sale; and
- For which the Bank may not recover substantially all of its initial investment, other than because of credit deterioration, which were designated as available-for-sale.

From 1 January 2018, the Bank only measures balances due from other *banks*, *Loans and advances to customers* and other financial investments at amortised cost if both of the following conditions are met:
- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding. The details of these conditions are outlined below.

2.5.6 Business model assessment

The Bank determines its business model at the level that best reflects how it manages groups of financial assets to achieve its business objective.

The Bank's business model is not assessed on an instrument -by-instrument basis, but at a higher level of aggregated portfolios and is based on observable factors such as:
- How the performance of the business model and the financial assets held within that business model are evaluated and reported to the entity's key management personnel;
- The risks that affect the performance of the business model (and the financial assets held within that business model) and, in particular, the way those risks are managed;
- How managers of the business are compensated (for example, whether the compensation is based on the fair value of the assets managed or on the contractual cash flows collected); and
- The expected frequency, value and timing of sales are also important aspects of the Bank's assessment

The business model assessment is based on reasonably expected scenarios without taking 'worst case' or 'stress case' scenarios into account. If cash flows after initial recognition are realised in a way that is different from the Bank's original expectations, the Bank does not change the classification of the remaining financial assets held in that business model, but incorporates such information when assessing newly originated or newly purchased financial assets going forward.

2.5.7 The SPPI test

As a second step of its classification process the Bank assesses the contractual terms of financial instruments to identify whether they meet Solely the Payments of Principal and interest (SPPI) test. 'Principal' for the purpose of this test is defined as the fair value of the financial asset at initial recognition and may change over the life of the financial asset (for example, if there are repayments of principal or amortisation of the premium/discount). The most significant elements of interest within a lending arrangement are typically the consideration for the time value of money and credit risk. To make the SPPI assessment, the Bank applies judgement and considers relevant factors such as the currency in which the financial asset is denominated, and the period for which the interest rate is set. In contrast, contractual terms that introduce a more than *de minimis* exposure to risks or volatility in the contractual cash flows that are unrelated to a basic lending arrangement do not give rise to contractual cash flows that are solely payments of principal and interest on the amount outstanding. In such cases, the financial asset is required to be measured at FVPL.

2.5.8 Financial assets or financial liabilities held for trading

The Bank classifies financial assets or financial liabilities as held for trading when they have been purchased or issued primarily for short-term profit making through trading activities or form part of a portfolio of financial instruments that are managed together, for which there is evidence of a recent pattern of short-term profit taking.

Held-for-trading assets and liabilities are recorded and measured in the statement of financial position at fair value. Changes in fair value are recognised in net trading income. Interest and dividend income or expense is recorded in net trading income according to the terms of the contract, or when the right to payment has been established. Included in this classification are debt securities, equities, short positions and customer loans that have been acquired principally for the purpose of selling or repurchasing in the near term.

2.5.9 Debt instruments at FVOCI

The Bank applies the new category under IFRS 9 of debt instruments measured at FVOCI when both of the following conditions are met:
- The instrument is held within a business model, the objective of which is achieved by both collecting contractual cash flows and selling financial assets; and
- The contractual terms of the financial asset meet the SPPI test

These instruments largely comprise assets that had previously been classified as financial investments available- for-sale under IAS 39. FVOCI debt instruments are subsequently measured at fair value with gains and losses arising due to changes in fair value recognised in OCI. Interest income and foreign exchange gains and losses are recognised in profit or loss in the same manner as for financial assets measured at amortised cost.

On derecognition, cumulative gains or losses previously recognised in OCI are reclassified from OCI to profit or loss.

2.5.10 Equity instruments at FVOCI

Upon initial recognition, the Bank occasionally elects to classify irrevocably some of its equity investments as equity instruments at FVOCI when they meet the definition of definition of Equity under IAS 32 Financial Instruments: Presentation and are not held for trading. Such classification is determined on an instrument-by- instrument basis.

Gains and losses on these equity instruments are never recycled to profit. Dividends are recognised in profit or loss as other operating income when the right of the payment has been established, except when the Bank benefits from such proceeds as a recovery of part of the cost of the instrument, in which case, such gains are recorded in OCI. Equity instruments at FVOCI are not subject to an impairment assessment.

2.5.11 Debt issued (bonds) and other borrowed funds

After initial measurement, debt issued and other borrowed funds are subsequently measured at amortised cost.

Amortised cost is calculated by taking into account any discount or premium on issue funds, and costs that are an integral part of the EIR. A compound financial instrument which contains both a liability and an equity component is separated at the issue date.

2.5.12 Financial assets and financial liabilities at fair value through profit or loss

Financial assets and financial liabilities in this category are those that are not held for trading and have been either designated by management upon initial recognition or are mandatorily required to be measured at fair value under IFRS 9. Management only designates an instrument at FVPL upon initial recognition when one of the following criteria are met. Such designation is determined on an instrument-by-instrument basis:
- The designation eliminates, or significantly reduces, the inconsistent treatment that would otherwise arise from measuring the assets or liabilities or recognising gains or losses on them on a different basis;

Or
- The liabilities are part of a group of financial liabilities, which are managed and their performance evaluated on a fair value basis, in accordance with a documented risk management or investment strategy;

Or
- The liabilities containing one or more embedded derivatives, unless they do not significantly modify the cash flows that would otherwise be required by the contract, or it is clear with little or no analysis when a similar instrument is first considered that separation of the embedded derivative(s) is prohibited.

Financial assets and financial liabilities at FVPL are recorded in the statement of financial position at fair value. Changes in fair value are recorded in profit and loss with the exception of movements in fair value of liabilities designated at FVPL due to changes in the Bank's own credit risk. Such changes in fair value are recorded in the Own credit reserve through OCI and do not get recycled to the profit or loss. Interest earned or incurred on instruments designated at FVPL is accrued in interest income or interest expense, respectively, using the EIR, taking into account any discount/ premium and qualifying transaction costs being an integral part of instrument.

Dividend income from equity instruments measured at FVPL is recorded in profit or loss as other operating income when the right to the payment has been established.

2.6 Reclassification of financial assets and liabilities

From 1 January 2018, the Bank does not reclassify its financial assets subsequent to their initial recognition, apart from the exceptional circumstances in which the Bank acquires, disposes of, or terminates a business line or there is a change in business model for a group of financial instruments.

2.7 Derecognition of financial assets and liabilities

Derecognition due to substantial modification of terms and conditions
The Bank derecognises a financial asset, such as a loan to a customer, when the terms and conditions have been renegotiated to the extent that, substantially, it becomes a new loan, with the difference recognised as a derecognition gain or loss, to the extent that an impairment loss has not already been recorded. The newly recognised loans are classified as Stage 1 for ECL measurement purposes, unless the new loan is deemed to be POCI.

When assessing whether or not to derecognise a loan to a customer, amongst others, the Bank considers the following factors:
- Change in currency of the loan;
- Introduction of an equity feature;
- Change in counterparty; and
- If the modification is such that the instrument would no longer meet the SPPI criterion.

If the modification does not result in cash flows that are substantially different, the modification does not result in derecognition. Based on the change in cash flows discounted at the original EIR, the Bank records a modification gain or loss, to the extent that an impairment loss has not already been recorded.

2.8 Derecognition other than for substantial modification

2.8.1 Financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised when the rights to receive cash flows from the financial asset have expired. The Bank also derecognises the financial asset if it has both transferred the financial asset and the transfer qualifies for derecognition.

The Bank has transferred the financial asset if, and only if, either:
- The Bank has transferred its contractual rights to receive cash flows from the financial asset or;
- It retains the rights to the cash flows, but has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass–through' arrangement;
  Pass-through arrangements are transactions whereby the Bank retains the contractual rights to receive the cash flows of a financial asset (the 'original asset'), but assumes a contractual obligation to pay those cash flows to one or more entities (the 'eventual recipients'), when all of the following three conditions are met;
- The Bank has no obligation to pay amounts to the eventual recipients unless it has collected equivalent amounts from the original asset, excluding short-term advances with the right to full recovery of the amount lent plus accrued interest at market rates;
- The Bank cannot sell or pledge the original asset other than as security to the eventual recipients;
- The Bank has to remit any cash flows it collects on behalf of the eventual recipients without material delay. In addition, the Bank is not entitled to reinvest such cash flows, except for investments in cash or cash equivalents including interest earned, during the period between the collection date and the date of required remittance to the eventual recipients.

A transfer only qualifies for derecognition if either:
- The Bank has transferred substantially all the risks and rewards of the asset or;
- The Bank has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

The Bank considers control to be transferred if and only if, the transferee has the practical ability to sell the asset in its entirety to an unrelated third party and is able to exercise that ability unilaterally and without imposing additional restrictions on the transfer.

When the Bank has neither transferred nor retained substantially all the risks and rewards and has retained control of the asset, the asset continues to be recognised only to the extent of the Bank's continuing involvement, in which case, the Bank also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Bank has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration the Bank could be required to pay.

If continuing involvement takes the form of a written or purchased option (or both) on the transferred asset, the continuing involvement is measured at the value the Bank would be required to pay upon repurchase. In the case of a written put option on an asset that is measured at fair value, the extent of the entity's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

2.8.2 Financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expires. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability. The difference between the carrying value of the original financial liability and the consideration paid is recognised in profit or loss.

2.9. Impairment of financial assets

2.9.1. Overview of the ECL principles

The ECL allowance is based on the credit losses expected to arise over the life of the asset (the lifetime expected credit loss or LTECL), unless there has been no significant increase in credit risk since origination, in which case, the allowance is based on the 12 months' expected credit loss (12mECL).

The Bank's policies for determining if there has been a significant increase in credit risk are set out in Note 2.31.1 (b).

The 12mECL is the portion of LTECLs that represent the ECLs that result from default events on a financial instrument that are possible within the 12 months after the reporting date. Both LTECL s and 12mECL s are calculated on either an individual basis or a collective basis, depending on the nature of the underlying portfolio of financial instruments.

The Bank has established a policy to perform an assessment, at the end of each reporting period, of whether a financial instrument's credit risk has increased significantly since initial recognition, by considering the change in the risk of default occurring over the remaining life of the financial instrument.

Based on the above process, the Bank groups its loans into Stage 1, Stage 2, Stage 3 and POCI, as described below:
- **Stage 1:** When loans are first recognised, the Bank recognises an allowance based on 12mECLs. Stage 1 loans also include facilities where the credit risk has improved and the loan has been reclassified from Stage 2.
- **Stage 2:** When a loan has shown a significant increase in credit risk since origination, the Bank records an allowance for the Life Time Expected Credit Losses (LTECLs). Stage 2 loans also include facilities, where the credit risk has improved and the loan has been reclassified from Stage 3.
- **Stage 3:** These are loans that are considered credit -impaired. The Bank records an allowance for the LTECLs.
- **POCI:** Purchased or originated credit impaired (POCI) assets are financial assets that are credit impaired on initial recognition. POCI assets are recorded at fair value at original recognition and interest income is subsequently recognised based on a credit-adjusted EIR. ECLs are only recognised or released to the extent that there is a subsequent change in the expected credit losses.

For financial assets for which the Bank has no reasonable expectations of recovering either the entire outstanding amount, or a proportion thereof, the gross carrying amount of the financial asset is reduced. This is considered a (partial) derecognition of the financial asset.

2.9.2. The calculation of ECLs

The Bank calculates ECLs based on probability-weighted scenarios to measure the expected cash shortfalls, discounted at an approximation to the EIR. A cash shortfall is the difference between the cash flows that are due to an entity in accordance with the contract and the cash flows that the entity expects to receive.

The mechanics of the ECL calculations are outlined below and the key elements are, as follows:
- **PD** - The *Probability of Default* is an estimate of the likelihood of default over a given time horizon. A default may only happen at a certain time over the assessed period, if the facility has not been previously derecognised and is still in the portfolio.
- **EAD** - The *Exposure at Default* is an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date, including repayments of principal and interest, whether scheduled by contract or otherwise, expected drawdowns on committed facilities, and accrued interest from missed payments.
- **LGD** - The *Loss Given Default* is an estimate of the loss arising in the case where a default occurs at a given time. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, including from the realisation of any collateral. It is usually expressed as a percentage of the EAD.

When estimating the ECLs, the Bank considers four scenarios (a base case, an upside, a mild downside ('downside 1') and a more extreme downside ('downside 2')). Each of these is associated with different PDs, EADs and LGDs, as set out above. When relevant, the assessment of multiple scenarios also incorporates how defaulted loans are expected to be recovered, including the probability that the loans will cure and the value of collateral or the amount that might be received for selling the asset.

With the exception of revolving facilities, for which the treatment is separate, the maximum period for which the credit losses are determined is the contractual life of a financial instrument unless the Bank has the legal right to call it earlier. Impairment losses and releases are accounted for and disclosed separately from modification losses or gains that are accounted for as an adjustment of the financial asset's gross carrying value.

The mechanics of the ECL method are summarised below :
- **Stage 1:** The 12months ECL is calculated as the portion of LTECLs that represent the ECLs that result from default events on a financial instrument that are possible within the 12 months after the reporting date. The Bank calculates the 12mECL allowance based on the expectation of a default occurring in the 12 months following the reporting date. These expected 12-month default

probabilities are applied to a forecast EAD and multiplied by the expected LGD and discounted by an approximation to the original EIR. This calculation is made for each of the four scenarios, as explained above.

- **Stage 2:** When a loan has shown a significant increase in credit risk since origination, the Bank records an allowance for the LTECLs. The mechanics are similar to those explained above, including the use of multiple scenarios, but PDs and LGDs are estimated over the lifetime of the instrument. The expected cash shortfalls are discounted by an approximation to the original EIR.
- **Stage 3:** For loans considered credit -impaired, the Bank recognises the lifetime expected credit losses for these loans. The method is similar to that for Stage 2 assets, with the PD set at 100%.
- **POCI:** POCI assets are financial assets that are credit impaired on initial recognition. The Bank only recognises the cumulative changes in lifetime

ECLs since initial recognition, based on a probability-weighting of the four scenarios, discounted by the credit- adjusted EIR.

Treatment of loan commitments, financial guarantees and other off-balance sheet exposures

- Loan commitments and letters of credit
- Financial guarantee contracts

When estimating LTECLs for undrawn loan commitments, the Bank estimates the expected portion of the loan commitment that will be drawn down over its expected life. The ECL is then based on the present value of the expected shortfalls in cash flows if the loan is drawn down, based on a probability-weighting of the four scenarios. The expected cash shortfalls are discounted at an approximation to the expected EIR on the loan. For revolving facilities that include both a loan and an undrawn commitment, ECLs are calculated and presented together with the loan. For loan commitments and letters of credit, the ECL is recognised within Provisions .

The Bank's liability under each guarantee is measured at the higher of the amount initially recognised less cumulative amortisation recognised in the income statement and the ECL provision. For this purpose, the Bank estimates ECLs based on the present value of the expected payments to reimburse the holder for a credit loss that it incurs. The shortfalls are discounted by the risk-adjusted interest rate relevant to the exposure. The calculation is made using a probability-weighting of the four scenarios. The ECLs related to financial guarantee contracts are recognised within Provisions .

2.9.3. Debt instruments measured at fair value through OCI

The ECLs for debt instruments measured at FVOCI do not reduce the carrying amount of these financial assets in the statement of financial position, which remains at fair value. Instead, an amount equal to the allowance that would arise if the assets were measured at amortised cost is recognised in OCI as an accumulated impairment amount, with a corresponding charge to profit or loss. The accumulated loss recognised in OCI is recycled to the profit and loss upon derecognition of the assets.

2.9.4. Purchased or originated credit impaired financial assets (POCI)

For POCI financial assets, the Bank only recognises the cumulative changes in LTECL since initial recognition in the loss allowance.

2.9.5. Forward looking information

In its ECL models, the Bank relies on a broad range of forward looking information as economic inputs, such as:

- GDP growth;
- Unemployment rates; and
- Inflation.

The inputs and models used for calculating ECLs may not always capture all characteristics of the market at the date of the financial statements. To reflect this, qualitative adjustments or overlays are occasionally made as temporary adjustments when such differences are significantly material.

2.10. Collateral valuation

To mitigate its credit risks on financial assets, the Bank seeks to use collateral, where possible. The collateral comes in various forms, such as cash, securities, letters of credit/guarantees, real estate, receivables, inventories, other non-financial assets and credit enhancements such as netting agreements. The Bank's accounting policy for collateral assigned to it through its lending arrangements under IFRS 9 is the same is it was under IAS 39. Collateral, unless repossessed, is not recorded on the Bank's statement of financial position. However, the fair value of collateral affects the calculation of ECLs. It is generally assessed, at a minimum, at inception and re-assessed when market fundamentals change significantly. However, some collateral, for example, cash or securities relating to margining requirements, is valued daily.

To the extent possible, the Bank uses active market data for valuing financial assets held as collateral. Other financial assets which do not have readily determinable market values are valued using models. Non-financial collateral, such as real estate, is valued based on data provided by third parties such as mortgage brokers, or based on housing price indices.

2.11. Collateral repossessed

The Bank's accounting policy under IFRS 9 remains the same as it was under IAS 39. The Bank's policy is to determine whether a repossessed asset can be best used for its internal operations or should be sold. Assets determined to be useful for the internal operations are transferred to their relevant asset category at the lower of their repossessed value or the carrying value of the original secured asset. Assets for which selling is determined to be a better option are transferred to assets held for sale at their fair value (if financial assets) and fair value less cost to sell for non-financial assets at the repossession date in, line with the Bank's policy.

In its normal course of business, the Bank does not physically repossess properties or other assets in its retail portfolio, but engages external agents to recover funds, generally at auction, to settle outstanding debt. Any surplus funds are returned to the customers/ obligors. As a result of this practice, the residential properties under legal repossession processes are not recorded on the Statement of Financial Position.

2.12. Write-offs

The Bank's accounting policy under IFRS 9 remains the same as it was under IAS 39. Financial assets are written off either partially or in their entirety only when the Bank has stopped pursuing the recovery. If the amount to be written off is greater than the accumulated loss allowance, the difference is first treated as an addition to the allowance that is then applied against the gross carrying amount. Any subsequent recoveries are credited to credit loss expense.

2.13. Forborne and modified loans

The Bank sometimes makes concessions or modifications to the original terms of loans as a response to the borrower's financial difficulties, rather than taking possession or to otherwise enforce collection of collateral.

The Bank considers a loan forborne when such concessions or modifications are provided as a result of the borrower's present or expected financial difficulties and the Bank would not have agreed to them if the borrower had been financially healthy. Indicators of financial difficulties include defaults on covenants, or significant concerns raised by the Credit Risk Department. Forbearance may involve extending the payment arrangements and the agreement of new loan conditions. Once the terms have been renegotiated, any impairment is measured using the original EIR as calculated before the modification of terms. It is the Bank's policy to monitor forborne loans to help ensure that future payments continue to be likely to occur. Derecognition decisions and classification between Stage 2 and Stage 3 are determined on a case-by-case basis. If these procedures identify a loss in relation to a loan, it is disclosed and managed as an impaired Stage 3 forborne asset until it is collected or written off.

The Bank also reassesses whether there has been a significant increase in credit risk. The Bank also considers whether the assets should be classified as Stage 3. Once an asset has been classified as forborne, it will remain forborne for a minimum 24-month probation period. In order for the loan to be reclassified out of the forborne category, the customer has to meet all of the following criteria:

- All of its facilities has to be considered performing;
- The probation period of two years has passed from the date the forborne contract was considered performing;
- Regular payments of more than an insignificant amount of principal or interest have been made during at least half of the probation period;
- The customer does not have any contract that is more than 30 days past due.

2.14 Taxes

All the receipts and accruals of the Group are exempt from income tax in terms of paragraph 2 of the Third Schedule of the Income Tax Act (Chapter 23:06) and by virtue of Section 10 of the Capital Gains Tax Act (Chapter 23:01) from capital gains tax with the exception of two subsidiaries, Mazvel Investments (Private) Limited and Samukele Lodges (Private Limited).

2.14.1 Income tax

Income tax expenses comprise current, AIDS levy and deferred tax. It is recognised in profit or loss except to the extent that it relates to items recognised directly in equity or in other comprehensive income.

(a) Current

Current tax comprises expected tax payable or receivable on the taxable income or loss for the year and any adjustment to the tax payable or receivable in respect of previous years. It is measured using rates enacted or substantively enacted at the reporting date in the country where the Bank operates and generates taxable income and any adjustment to tax payable in respect of previous years.

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities.

(b) Deferred taxation

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for:

- temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that
- affects neither accounting nor taxable profit or loss;
- temporary differences related to investments in subsidiaries to the extent that it is probable that they will not reverse in the
- foreseeable future; and
- taxable temporary differences arising on the initial recognition of goodwill.

Deferred tax assets are recognised for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be used. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will reverse, using tax rates enacted or substantively enacted at the reporting date.

The measurement of deferred tax reflects the tax consequences that would follow the manner in which the Bank expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities. For this purpose, the carrying amount of investment property measured at fair value is presumed to be recovered through sale, and the Bank has not rebutted this presumption.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

2.15 Other receivables

Other receivables and prepayments are amounts due from customers for merchandise sold or services performed in the ordinary course of business. If collection is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non current assets.

Other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less allowance for impairment.

2.16 Inventories

Inventories comprise substantially of properties under construction, for development and completed units. All inventories are valued at the lower of cost or net realisable value. Net realisable value represents the estimated selling price for inventories less all estimated costs necessary to make the sale.

2.16.1 Property development

Inventories in respect of property development activities are carried at the lower of cost and net realisable value. Cost and net realisable values are determined as follows: The cost or fair value of properties under development for sale comprises specifically identified cost, including the acquisition cost of land or fair value as it relates to land received as part of a government grant, aggregate cost of development, materials and supplies, wages and other direct expenses, an appropriate proportion of overheads and borrowing costs capitalised . Net realisable value represents the estimated selling price less estimated costs of completion and costs to be incurred in selling the property.

2.16.2 Completed property held for sale

In the case of completed properties developed by the Group, cost is determined by apportionment of the total development costs for that development project, attributable to the unsold properties. Net realisable value represents the estimated selling price less costs to be incurred in selling the property. The cost of completed properties held for sale comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

2.17 Investment property

Property that is held for long-term rental yields or for capital appreciation or both; and that is not occupied by the entities in the Group, is classified as investment property. Investment property also includes property that is being constructed or developed for future use as investment property.

Investment property is measured initially at its cost, including related transaction costs and where applicable borrowing costs.

After initial recognition, investment property is carried at fair value. Investment property under construction is measured at fair value if the fair value is considered to be reliably determinable. Investment properties under construction for which the fair value cannot be determined reliably, but for which the Group expects that the fair value of the property will be reliably determinable when construction is completed, are measured at cost less impairment until the fair value becomes reliably determinable or construction is completed – whichever is earlier. Fair value is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. If this information is not available, the Group uses alternative valuation methods, such as recent prices in less active markets or discounted cash flow projections. Valuations are performed as at the statement of financial position date by professional valuators who hold recognised and relevant professional qualifications and have recent experience in the location and category of the investment property being valued.

These valuations form the basis for the carrying amounts in the consolidated financial statements. Investment property that is being redeveloped for continuing use as investment property or for which the market has become less active continues to be measured at fair value.

Fair value measurement of property under construction is only applied if the fair value is considered to be reliably measurable. It may sometimes be difficult to determine reliably the fair value of the investment property under construction. In order to evaluate whether the fair value of an investment property under construction can be determined reliably, management considers the following factors, among others:

- The provisions of the construction contract;
- The stage of completion;
- Whether the project/property is standard (typical for the market) or non-standard;
- The level of reliability of cash inflows after completion;
- Past experience with similar constructions;
- The development risk specific to the construction; and
- Status of construction permits.

The fair value of investment property reflects, among other things, rental income from current leases and assumptions about rental income from future leases in the light of current market conditions. The fair value also reflects, on a similar basis, any cash outflows that could be expected in respect of the property. Some of those outflows are recognised as a liability including finance lease liabilities in respect of leasehold land classified as investment property; others, including contingent rent payments, are not recognised in the consolidated financial statements.

Subsequent expenditure is capitalised to the asset's carrying amount only when it is probable that future economic benefits associated with the expenditure will flow to the Group and cost of the item can be measured reliably. All other repairs and maintenance costs are expensed when incurred. When part of an investment property is replaced, the carrying amount of the replaced part is derecognised.

The fair value of investment property does not reflect future capital expenditure that will improve or enhance the property and does not reflect the related future benefits from this future expenditure other than those rational market participants would take into account when determining the value of the investment property. policies adopted by the Group. Dilution gains and losses arising in investments in associates are recognised in the statement of comprehensive income.

Changes in fair value are recognised in the statement of comprehensive income. Investment property is derecognised either when it has been disposed of or when the investment property is permanently withdrawn from use and no economic benefit is expected from its disposal.

Where the Group disposes of an investment property at fair value in an arm's length transaction, the carrying value immediately prior to the sale is adjusted to the transaction price, and the adjustment is recorded in the statement of comprehensive income within net gain from fair value adjustment on investment property.

If an investment property becomes owner-occupied, it is reclassified as property and equipment. Its fair value at the date of reclassification becomes its cost for subsequent accounting purposes.

If an item of owner-occupied property becomes an investment property because its use has changed, any difference resulting between the carrying amount and the fair value of this item at the date of the transfer is treated in the same way as revaluation under IAS 16, 'Property, Plant and Equipment'. Any resulting increase in the carrying amount of the property is recognised in the profit or loss to the extent that it reverses a previous impairment, with any remaining increase recognised in other comprehensive income and increases directly to revaluation surplus within equity. Any resulting decrease in the carrying amount of the property is initially charged in other comprehensive income against any previously recognised revaluation surplus, with any remaining decrease charged to statement of comprehensive income.

2.18 Property and equipment

Construction in progress is stated at cost, net of accumulated impairment losses, if any. Plant and equipment is stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. Such cost includes the cost of replacing part of the plant and equipment and borrowing costs for long-term construction projects if the recognition criteria are met. When significant parts of plant and equipment are required to be replaced at intervals, the Group depreciates them separately based on their specific useful lives.

Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in profit or loss as incurred. The present value of the expected cost for the decommissioning of an asset after its use is included in the cost of the respective asset if the recognition criteria for a provision are met.

Property and equipment transferred from customers are initially measured at fair value at the date on which control is obtained.

Land and Buildings are measured at fair value less accumulated depreciation and impairment losses recognised after the date of revaluation. Valuations are performed with sufficient frequency to ensure that the carrying amount of a revalued asset does not differ materially from its fair value.

A revaluation surplus is recorded in OCI and credited to the asset revaluation surplus in equity. However, to the extent that it reverses a revaluation deficit of the same asset previously recognised in profit or loss, the increase is recognised in profit and loss. A revaluation deficit is recognised in the statement of profit or loss, except to the extent that it offsets an existing surplus on the same asset recognised in the asset revaluation surplus.

Depreciation is calculated on a straight-line basis over the estimated useful lives of the assets, as follows:

• Buildings	50 years
• Furniture and Fittings	7 years
• Motor Vehicles	5 years
• Office Equipment	5 years
• Computer Hardware and Software Equipment	3- 5 years

An item of property and equipment and any significant part initially recognised is derecognised upon disposal (i.e., at the date the recipient obtains control) or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of profit or loss when the asset is derecognised.

The residual values, useful lives and methods of depreciation of property and equipment are reviewed at each financial year end and adjusted prospectively, if appropriate.

2.19 Intangible assets

Software licences
Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised on the basis of the expected useful lives. Software has a maximum expected useful life of 4 years.

Amortisation
Computer software costs recognised as intangible assets are amortised on the straight-line basis over their estimated useful lives.

2.20 Impairment of non-financial assets

Assets that have an indefinite useful life - for example, intangible assets not ready to use - are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows ("cash-generating units"). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

2.21 Share capital

Ordinary shares
Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares and share options are recognised as a deduction from equity, net of tax from the proceeds.

Preference share capital
Preference share capital is classified as equity if it is non-redeemable, or redeemable only at the company's option, and any dividends are discretionary. Dividends on preference share capital classified as equity are recognised as distributions within equity. Preference share capital is classified as a liability if it is redeemable on a specific date or at the option of the shareholders, or if dividend payments are not discretionary. The liability is recognised in accordance with the Group's policy for interest-bearing borrowings and accordingly dividends thereon are recognised on an accrual basis in profit or loss as part of finance costs.

2.22 Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small. Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense. Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave and bonus.

2.23 Trade payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers or customers. Trade payables are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non current liabilities.

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

2.24 Financial guarantees

Financial guarantees are contracts that require the Group to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument. Financial guarantee liabilities are initially recognised at their fair value, and the initial fair value is amortised over the life of the financial guarantee. The guarantee liability is subsequently carried at the higher of this amortised amount and the present value of any expected payment (when a payment under the guarantee has become probable).

2.25 Related parties

Related party transactions and outstanding balances with key management and other entities in the Group are disclosed.

2.26 Revenue recognition

Revenue is derived substantially from the business of banking, project advisory services and related activities and comprises net interest income and non-interest income. The Group recognises revenue when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the Group; and when specific criteria have been met for each of the group activities as described below.

The Group bases its estimate of return on historical results taking into consideration the type of customer, type of transaction and the specifics of each arrangement.

2.26.1 Recognition of interest income

The effective interest rate method
Under IFRS 9, interest income is recorded using the effective interest rate (EIR) method for all financial instruments measured at amortised cost and financial instruments designated at FVPL. The EIR is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument or, when appropriate, a shorter period, to the net carrying amount of the financial asset. The EIR (and therefore, the amortised cost of the asset) is calculated by taking into account any discount or premium on acquisition, fees and costs that are an integral part of the EIR. Hence, it recognises the effect of potentially different interest rates charged at various stages, and other characteristics of the product life cycle (including prepayments, penalty interest and charges).
If expectations regarding the cash flows on the financial asset are revised for reasons other than credit risk . The adjustment is booked as a positive or negative adjustment to the carrying amount of the asset in the balance sheet with an increase or reduction in interest income. The adjustment is subsequently amortised through Interest and similar income in the income statement.

Interest and similar income
The Bank calculates interest income by applying the EIR to the gross carrying amount of financial assets other than credit-impaired assets. When a financial asset becomes credit -impaired and is, therefore, regarded as 'Stage 3', the Bank calculates interest income by applying the effective interest rate to the net amortised cost of the financial asset. If the financial assets cures and is no longer credit-impaired, the Bank reverts to calculating interest income on a gross basis. For purchased or originated credit -impaired (POCI) financial assets, the Bank calculates interest income by calculating the credit-adjusted EIR and applying that rate to the amortised cost of the asset. The credit-adjusted EIR is the interest rate that, at original recognition, discounts the estimated future cash flows (including credit losses) to the amortised cost of the POCI assets. Interest income on all trading assets and financial assets mandatorily required to be measured at FVPL is recognised using the contractual interest rate in net trading income and Net gains/(losses)on financial assets at fair value through profit or loss, respectively.

2.26.2 Non-interest income

Non-interest income includes advisory and arrangement fees, net revenue from foreign exchange trading and net gains on the realisation or revaluation of investment properties. All such commissions and fees including service fees, investment management fees, placement and syndication fees are recognised as the related services are performed.

2.26.3 Dividend income

Dividend income is recognised when the right to receive income is established. Usually this is at the ex-dividend date for equity securities. Dividends are reflected as a component of non-interest income based on the underlying classification of the equity instruments.

2.26.4 Rental income

Rental income from the investment property is accounted for on an accrual basis.

2.26.5 Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grant will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Group should construct or otherwise acquire non-current assets are recognised as deferred revenue in the consolidated statement of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets
Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

2.27 Useful lives and residual values of property and equipment

The Group's management determines the estimated useful lives, residual values and related depreciation charges of its property and equipment. The estimate is based on projected life cycles for these assets. Management will increase the depreciation charges where useful lives are less than previously estimated, or it will write off or write down technically obsolete or non-strategic assets that have been abandoned.

2.28 Fair value measurements and valuation processes

Some of the Group's assets are measured at fair value for financial reporting purposes. In estimating the fair value of an asset, the Group uses market observable data to the extent that it is available. Where this is not available, the Group uses third party qualified valuators to perform the valuation.

The Group recognized Treasury Bills as capital for regulatory purposes at nominal value. For financial reporting purposes, valuation intricacies ensued due to:
a) the lack of an active market to use as a reference point from which to draw a "market value "or a "market discount rate" and,
b) the high level of sensitivity to interest parameters which one could possibly apply in a valuation model resulting in a wide dispersion in the possible fair values.

Treasury bills are valued using Time Value of Money basis by applying market discount rate to future cash-flows in order to determine the present value of cash flows. In the absence of a market, IFRS 13 allows for the development of a valuation model using inputs which can either be verifiable or are not verifiable with the extent of verifiability determining whether the valuation model belongs under Level 2 or Level 3 of the valuation input scale.

Revaluation of land and buildings and investment properties
The Group carries its land and buildings and investment properties at fair value, with changes in fair value of investment properties and land and buildings being recognised in the statement of profit or loss and other comprehensive income respectively. For land and buildings and investment properties, a valuations have been undertaken using three methods; the Comparison approach, Income approach and the Cost approach. These approaches are used for fair value estimates as these are acceptable in that they maximise market inputs in active markets even if the asset being measured is not exchanged in an active market

Income Approach
The investment method involves the capitalisation of current and expected rental income by an appropriate yield

Comparison Approach
This entails using evidence of past sales of comparable properties, held under similar interest which are analysed on the basis of yield, rental return, voids and arrears. The obtained comparative statistics were then applied to the subject properties being valued with adjustments made to cater for property specific peculiarities.

Gross Replacement Costs
In computing the cost of replacement, rates obtained from Quantity Surveying Consultant firms were applied. Inferences were made from Turner and Townsend South Africa where construction is more active than in Zimbabwe at the moment. The Group engaged an independent valuation specialist to assess fair values as at 31 December 2019 for the investment properties and land and buildings.

2.29 Going concern

After making enquiries, the Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. The Group therefore continues to adopt the going concern basis in preparing the consolidated financial statements. Additional information on the going concern assumption is disclosed in Note 42.

2.30 Functional currency

With the introduction of a new currency under Statutory Instrument 33 of 2019 (SI 33/19), the Bank has adopted ZWL as the functional currency with effect from 21 February 2020. The comparative information has been restated from US$ to ZWL at a rate of 1.1 as prescribed by Statutory Instrument 33 of 2019.

2.30.1 Functional currency disclosure in the Financial Statements for the year ended 31 December 2019

Since 2009, Zimbabwe has been under a multi-currency system, under which the USD has emerged as the currency of reference for business and government. New legislation was promulgated in the form of Statutory Instruments 133 of 2016 and 122a of 2017 which prescribed bond notes and coins issued by the Reserve Bank of Zimbabwe as legal tender with a 1:1 parity with the USD. With the acute shortage of USD cash and other foreign currencies in the country, increases in the utilisation of different modes of payment for goods and services such as settlement via the Real Time Gross Settlement (RTGS) system overseen by the Reserve Bank of Zimbabwe (RBZ), Point of sale machines (POS) and mobile money platforms, were observed. In addition:

- From 2017 instances were noted of some businesses pricing products and services differently, depending on the mode of payment, with the USD cash or payments from USD denominated nostro accounts being the cheapest alternative and RTGS the most expensive. This practice, however, was discouraged by the monetary authorities and;
- The significant unavailability of the USD in cash and in Nostro accounts made processing of payments to foreign suppliers and creditors difficult for businesses, with waiting periods being experienced. As a result of these and other factors, management had to make an assessment of whether the use of the USD as the Company's functional currency was still appropriate. In doing so management considered the following parameters as set out in IAS 21 (Paragraph 8):
- a) The currency that mainly influences sales prices for goods and services (normally the currency in which the sales price for goods or services are denominated and settled);
  b) The currency of the competitive forces and regulations that mainly determine the sales prices of goods and services;
  c) The currency that mainly influences labour, material and other costs of providing goods or services, (normally the currency in which such costs are denominated and settled); and
  d) The currency in which receipts from operating activities are usually retained.

The USD remained the primary driver for most of the factors above. It should be also be noted that in line with guidance set by the RBZ, banks and other financial intermediaries did not maintain separate customer accounts for US$, Bond notes and coins, and payment made electronically whose values were considered to be at par. Obligations to our suppliers were settled via cash, as well as through various electronic platforms available through the national payments system, including RTGS.

During 2018, the Directors concluded that the USD was still the Group's functional currency for accounting and financial reporting purposes. This was also consistent with guidance provided by the PAAB.

2.30.2 Key developments during 2019 with an impact on the Bank

On 20 February 2019, the RBZ Governor announced a new Monetary Policy Statement with the following highlights:

- The denomination of RTGS balances, bond notes and coins collectively as RTGS$ (ZWL). ZWL became part of the multi-currency system;
- ZWL was to be used by all entities (including government) and individuals in Zimbabwe for purposes of pricing of goods and services, recording debts, accounting and settlement of domestic transactions; and
- The establishment of an inter-bank foreign exchange market where the exchange rate was to be determined by market forces.

The Monetary Policy statement was followed by the publication of Statutory Instrument 33 of 2019 (SI33/2019) on 21 February 2019. The Statutory Instrument gave effect to the introduction of the ZWL as legal tender and prescribed that "for accounting and other purposes" certain assets and liabilities on the effective date would be deemed to be ZWL at a rate of 1:1 to the USD and would become opening ZWL values from the effective date.

The Group followed the legal instruments and changed the functional currency on the 21st of February 2019. From this date the Bank then changed its currency from USD to ZWL at 1:1 except for specific assets and liabilities that were really in foreign currency. Assets and liabilities in foreign currency were converted from USD to ZWL at the rate of 2.5 and a Foreign Currency Translation Reserve (FCTR) was created to that effect except for a foreign investment in Nosard which according to IAS 21 was recorded in other comprehensive income.

2.30.3 Functional currency assessment for the Financial Statements for the year ended 31 December 2019

In making the functional currency assessment for 2019, the Directors made a critical evaluation of the same factors as for 2018 as outlined in note 2.32.1. The Directors also considered the following additional factors:

- The significant deterioration in the ability by the business during 2019 to meet foreign payment obligations, with some obligations remaining unpaid for over 12 months, despite sufficient electronic cash resources held;
- The fact that a significant majority of the group's operating cash flows are retained in ZWL accounts, as opposed to Nostro FCA accounts;

- The assessment that hard currency or nostro account based transactions, constitute a relatively small proportion of the overall transactions done by the Group;
- The self-evident increase in the extent of purchasing power disparities between the USD on one hand; and local bond notes and ZWL balances on the other hand; which was experienced in 2018, particularly in the last quarter of that year, and which have continued into 2019; and
- Upward asset price movements which seem de-linked from the circulation of actual USD within the economy.

The Directors were not able to arrive at the same conclusion that was arrived at in the preparation of the 2018 financial statements, which was that the USD is the Group's functional currency. This outcome is based on the Directors' interpretation of IAS 21 which defines a functional currency as the "currency of the primary economic environment in which an entity operates".

Directors and management believe that the fact that the interbank foreign currency market which was established towards the end of February 2019, opened trading at 1:2,5 between the ZWL and USD, is an indicator of the relative loss of value of bond notes and ZWL balances during 2019. The Directors therefore concluded that the Zimbabwe Dollar (ZWL) is the appropriate functional currency for the presentation of the financial statements for the year ended 31 December 2019.

2.31 Changes in accounting policies, estimates and disclosures

Changes in accounting policies

Revaluation of Land and Buildings

The Group re-assessed its accounting policy for property and equipment with respect to its measurement after initial recognition. The Group had previously measured all property and equipment using the cost model whereby, after initial recognition of the asset classified as property and equipment, the asset was carried at cost less accumulated depreciation and accumulated impairment losses.

On 1 January 2019, the Group elected to change the method of accounting for land and buildings classified as property and equipment, as the Group believes that the revaluation model provides more relevant information to the users of its financial statements and is more aligned to practices adopted by its competitors. In addition, available valuation techniques provide reliable estimates of the land and buildings' fair value. The Group applied the revaluation model prospectively. Following the change is accounting policy, land and buildings are measured at fair value at the date of the revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses. For details refer to Note 16.

Changes in accounting estimates

Property and Equipment

The Group re-assessed its accounting estimates for property and equipment except for motor vehicles to reflect the true and fair view of economic benefits being enjoyed from the assets.

The following useful life of assets were changed:

Asset Category	Previous useful life (Years)	Adopted useful life (Years)
Land and Buildings	30	50
Furniture and Fittings	3	7
Office Equipment	3	5
Computer Equipment	3	3-5

The effect of the changes were accounted prospectively.

3 RISK MANAGEMENT

3.1 Risk Management Policies

The Group's activities expose it to a variety of financial risks: credit risk, liquidity risk and market risk (including fair value interest rate risk, cash flow interest rate risk, foreign exchange risk, and price risk).

Risk management is a key function of management. The dynamism characterising the financial services sector has increased the importance of risk management. The Group has put in place a risk management framework to identify the type and areas of risk and to measure and assess all risks to enable management to make sound judgements and decisions and thereby limit losses.

The Board of Directors has overall responsibility for setting policies for risk management. The implementation and monitoring of the risk policies is through appropriate risk management structures with delegated authority from the Board. The Risk Management and Compliance Unit independently monitors risk throughout the Group according to set risk policies and provides advice and support on compliance matters. The Group manages risk within applicable laws. Each department is responsible for ensuring that its conduct complies with all the applicable laws and regulations.

In addition, the Group Internal Audit Unit is responsible for independent review of risk management and control environment; and the Group Legal Counsel provides advice and support on legal matters.

A Finance and Risk Management Committee has been set at Board level and it consists of non-executive directors to ensure the importance of this function is emphasized at a higher level.

3.2 Credit risk

Credit risk is the possibility of loss arising from the inability of a client or a counter party to meet its commitments to the Group. It is inherent in most banking products and activities. Credit risk management and control within the Group is guided by the Group's credit policy. The credit policy outlines procedures for accurate assessment, proper approval and consistent monitoring of credit risk.

The Group manages credit exposure to any entity through credit limits. A credit limit is set for each customer after assessment of the financial strength of the customer and assessment of other qualitative factors which influence the performance of the customer. The Group has in place a management Credit Committee that assesses credit proposals and exercise credit approval authority, up to a set limit. Approval of credit at higher levels requires the approval of the Board.

Individual loans are reviewed continuously through monthly reassessment of the credit grading so that problems can be detected and managed at an early stage. Periodic reassessment is also done based on management information received. Impairment allowances are adjusted monthly in line with the reassessed credit grades.

Commitments to extend credit represent unused portions of authorisations to extend credit in the form of loans, guarantees or letters of credit. With respect to credit risk on commitments to extend credit, the Group is potentially exposed to loss in an amount equal to the total unused commitments. The Group monitors the credit performance of customers on the utilised balances to minimise potential losses on the unutilised balances.

Maximum exposure to credit risk before collateral held or other credit enhancement

	Inflation adjusted		Historical	
Credit risk exposure relating to on-balance sheet assets are as follows:	Maximum Exposure 31 Dec 2019 ZWL	Maximum Exposure 31 Dec 2018 ZWL	Maximum Exposure 31 Dec 2019 ZWL	Maximum Exposure 31 Dec 2018 USD Restated
Cash and bank balances	196 025 699	1 738 841 147	196 025 699	279 936 582
Treasury bills and other financial assets	140 971 769	1 186 680 145	140 971 769	191 044 009
Gross loans and advances to customers	60 344 341	302 636 164	60 344 341	48 721 491
Assets pledged as collateral	40 534 763	38 218 867	40 534 763	6 152 867
Other receivables and prepayments	34 824 226	53 767 250	33 618 193	8 656 006
	472 700 798	3 320 143 573	471 494 765	534 510 955
Credit risk exposure relating to off-balance sheet assets are as follows:				
Loan commitments and guarantees	10 774 445	6 167 060	10 774 445	992 837
Maximum exposure to credit risk	483 475 243	3 326 310 633	482 269 210	535 503 792

Financial guarantees principally represent guarantees that require the Group to make certain payments if guarantee holders fail to meet their financial obligations. There was no potential obligation resulting from these guarantees.

There is no significant risk with respect to cash and cash equivalents as the Group holds bank accounts with large financial institutions with sound financial and capital cover. The fair value of cash and cash equivalents at the reporting date approximates the carrying amount.

	Inflation adjusted		Historical	
Loans and advances (including assets pledged as collateral) are summarised as follows:	2019 ZWL	2018 ZWL	2019 ZWL	2018 ZWL
Stage 1	55 602 061	246 973 855	55 602 061	39 760 398
Stage 2	1 435 794	5 382 612	1 435 794	866 549
Stage 3	3 306 486	50 279 697	3 306 486	8 094 544
Gross	**60 344 341**	**302 636 164**	**60 344 341**	**48 721 491**
Less: allowance for impairment	(1 545 240)	(20 536 849)	(1 545 240)	(3 306 234)
Net	**58 799 101**	**282 099 315**	**58 799 101**	**45 415 257**

3.3 Liquidity risk

Liquidity risk is the possibility that the Group may fail to cover its financial obligations as they fall due. The risk arises as a result of mismatches between the maturities of assets and liabilities.

Management manages liquidity risk through cash flow and maturity mismatch management. They meet regularly to set and review the Group's strategies. The treasury department has the responsibility to implement and maintain a liquidity management strategy to ensure that the Group has sufficient liquidity to meet its daily liquidity obligations .

The Group has developed a comprehensive contingency liquidity plan to ensure that the Group does not get affected in case of a major market upset.

The Group uses the following strategies in its liquidity risk management:

- Day-to-day funding, managed by monitoring future cash flows to ensure that requirements can be met. This includes replenishment of funds as they mature or are borrowed by customers;
- Maintains a portfolio of highly marketable assets that can easily be liquidated as protection against any unforeseen interruption to cash flow;
- Monitoring the liquidity ratios of the statement of financial position against internal and regulatory requirements;
- Diversification of liabilities to achieve a stable funding base and avoid excessive reliance on any one counter party;
- Maturity mismatch limits for its cumulative funding positions; and
- Access to inter-bank markets.

Contract maturity analysis

Sources of liquidity are regularly reviewed by a separate team in Treasury function to maintain a wide diversification by provider, product and term.

Inflation Adjusted

As at 31 December 2019	Up to 1 month ZWL	1 to 3 months ZWL	3 to 9 months ZWL	9 to 12 months ZWL	over 12 months ZWL	Total ZWL
Assets						
Cash and bank balances	196 025 699	-	-	-	-	196 025 699
Investment securities	664 217	-	-	-	-	664 217
through other comprehensive income	-	-	-	-	108 968 636	108 968 636
Treasury Bills and other financial assets	-	-	2 000 000	-	179 506 532	181 506 532
Loans and advances to customers	2 907 499	785 580	-	5 929 169	49 176 853	58 799 101
Total	**199 597 415**	**785 580**	**2 000 000**	**5 929 169**	**337 652 021**	**545 964 185**
Liabilities						
Deposits from customers	58 772 507	2 485 642	215 932	1 691 724	-	63 165 805
Bonds	2 063 118	2 880 473	4 403 018	2 816 945	9 308 207	21 471 761
Local Lines of Credit	241 749 212	-	-	-	-	241 749 212
Other liabilities	-	-	-	13 787 686	1 784 924	15 572 610
Total	**302 584 837**	**5 366 115**	**4 618 950**	**18 296 355**	**11 093 131**	**341 959 388**
Gap	**(102 987 422)**	**(4 580 535)**	**(2 618 950)**	**(12 367 186)**	**326 558 890**	**204 004 797**
Contingent liabilities:						
Loan commitments and guarantees	(10 774 446)	-	-	-	-	(10 774 446)
Total gap	**(113 761 868)**	**(4 580 535)**	**(2 618 950)**	**(12 367 186)**	**326 558 890**	**193 230 351**
Total cumulative gap	**(113 761 868)**	**(118 342 403)**	**(120 961 353)**	**(133 328 539)**	**193 230 351**	**-**

Historical

As at 31 December 2019	Up to 1 month ZWL	1 to 3 months ZWL	3 to 9 months ZWL	9 to 12 months ZWL	over 12 months ZWL	Total ZWL
Assets						
Cash and bank balances	196 025 699	-	-	-	-	196 025 699
Investment securities	664 217	-	-	-	-	664 217
Financial assets at fair value through other comprehensive income	-	-	-	-	108 968 636	108 968 636
Treasury Bills and other financial assets	-	-	2 000 000	-	179 506 532	181 506 532
Loans and advances to customers	**2 907 499**	**785 580**	**-**	**5 929 169**	**49 176 853**	**58 799 101**
Total Gap	**199 597 415**	**785 580**	**2 000 000**	**5 929 169**	**337 652 021**	**545 964 185**
Liabilities						
Deposits from customers	58 772 507	2 485 642	215 932	1 691 724		63 165 805
Bonds	2 063 118	2 880 473	4 403 018	2 816 945	9 308 207	21 471 761
Local Lines of Credit	241 749 212					241 749 212
Other liabilities	-	-	-	13 787 686	1 784 924	15 572 610
Total	**302 584 837**	**5 366 115**	**4 618 950**	**18 296 355**	**11 093 131**	**341 959 388**
Gap	**(102 987 422)**	**(4 580 535)**	**(2 618 950)**	**(12 367 186)**	**326 558 890**	**204 004 797**
Contingent liabilities:						
Loan commitments and guarantees	(10 774 446)	-	-	-	-	(10 774 446)
Total gap	**(113 761 868)**	**(4 580 535)**	**(2 618 950)**	**(12 367 186)**	**326 558 890**	**193 230 351**
Total cumulative gap	**(113 761 868)**	**(118 342 403)**	**(120 961 353)**	**(133 328 539)**	**193 230 351**	**-**

Inflation Adjusted

As at 31 December 2018	Up to 1 month ZWL	1 to 3 months ZWL	3 to 9 months ZWL	9 to 12 months ZWL	over 12 months ZWL	Non interest bearing ZWL	Total ZWL
Assets							
Cash and bank balances	1 738 841 147	-	-	-	-	-	1 738 841 147
Investment securities	-	-	-	-	-	1 950 767	1 950 767
Loans and advances to customers	49 475 058	2 933 449	-	105 637 171	124 053 637	-	282 099 315
Financial assets at fair value through other comprehensive income	-	-	-	-	-	43 872 774	43 872 774
Treasury bills and other financial assets	-	77 357	43 154 252	-	1 143 448 536	-	1 186 680 145
Trading assets pledged as collateral	-	-	-	-	38 218 867	-	38 218 867
Total assets	**1 788 316 205**	**3 010 806**	**43 154 252**	**105 637 171**	**1 305 721 040**	**45 823 541**	**3 291 663 015**
Deposits from customers	152 099 306	65 838 009	502 976	-	-	-	218 440 291
Local lines of credit and Bonds	1 834 514 049	261 895 860	-	-	-	-	2 096 409 909
Other liabilities	-	84 666 974	-	-	-	-	84 666 974
Total equity and liabilities	**1 986 613 355**	**412 400 843**	**502 976**	**-**	**-**	**-**	**2 399 517 174**
Total interest repricing gap	**(198 297 150)**	**(409 390 037)**	**42 651 276**	**105 637 171**	**1 305 721 040**	**45 823 541**	**892 145 841**
Total cumulative gap	**(198 297 150)**	**(607 687 187)**	**(565 035 911)**	**(459 398 740)**	**846 322 300**	**892 145 841**	**-**

	Historical					
As at 31 December 2018	Up to 1 month	1 to 3 months	3 to 9 months	9 to 12 months	over 12 months	Total
Assets						
Cash and bank balances	279 936 582	-	-	-	-	279 936 582
Investment securities	314 054	-	-	-	-	314 054
Financial assets at fair value through other comprehensive income	-	-	-	-	7 063 092	7 063 092
Treasury Bills and other financial assets	-	12 454	6 947 412	-	184 084 143	191 044 009
Loans and advances to customers	7 965 005	472 257	-	17 006 561	19 971 434	45 415 257
Total	**288 215 641**	**484 711**	**6 947 412**	**17 006 561**	**211 118 669**	**523 772 994**
Liabilities						
Deposits from customers	24 486 515	10 599 282	80 974	-		35 166 771
Bonds	1 240 357	-	12 972 563	10 124 205	17 825 572	42 162 697
Local Lines of Credit	295 338 993					295 338 993
Other liabilities	-	13 630 563	-	-	-	13 630 563
Total	**321 065 865**	**24 229 845**	**13 053 537**	**10 124 205**	**17 825 572**	**386 299 024**
Gap	**(32 850 224)**	**(23 745 134)**	**(6 106 125)**	**6 882 356**	**193 293 097**	**137 473 970**
Contingent liabilities:						
Loan commitments	(992 837)	-	-	-	-	(992 837)
Guarantees	-	-	-	-	-	
Total gap	**(33 843 061)**	**(23 745 134)**	**(6 106 125)**	**6 882 356**	**193 293 097**	**136 481 133**
Total cumulative gap	**(33 843 061)**	**(57 588 195)**	**(63 694 320)**	**(56 811 964)**	**136 481 133**	-

4 CAPITAL MANAGEMENT

The Group's objective when managing capital are :

- To safe guard 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, and
- To maintain a strong capital base to support the development of its business

The allocation of capital between specific business operations is, to a large extent, driven by optimisation of the return achieved on the capital allocated. The process of allocating capital to specific operations is undertaken independently of those responsible for the operations. The Management Assets and Liability Committee ("MALCO") sets the assets and liability management policies which determine the eventual asset allocation dependent on desired risk return profiles based on MALCO forecasts on the different markets the Group participates in and economic fundamentals.

The Group Risk and Compliance Unit monitors and ensures adherence to these policies as well as continuously measure the efficacy of these policies through MALCO and various other credit committees.

Although maximisation of the return on risk adjusted capital is the principal basis used in determining how capital is allocated within the Group to particular operations or activities, it is not the sole basis used for decision making.

Account is also taken of synergies with other operations and activities, the availability of management and other resources, and the fit of the activity with the Group's longer term strategic objectives. The Group's policies in respect of capital management and allocation are reviewed regularly by the Board of Directors.

The Group's capital is monitored using the dollar amount of the net shareholders' equity position, noting and explaining the causes of significant changes.

5 CASH AND BANK BALANCES

	Inflation adjusted		Historical	
	2019 ZWL	2018 ZWL	2019 ZWL	2018 ZWL
Cash on hand	499 327	665 138	499 327	107 081
Balances with banks	195 526 372	1 738 176 009	195 526 372	279 829 501
	196 025 699	1 738 841 147	196 025 699	279 936 582
Balances with banks				
	2019	**2018**	**2019**	**2018**
Balance with the Central Bank	18 080 912	59 983 536	18 080 912	9 656 768
Bank Deposits	8 933 770	2 954 980	8 933 770	475 723
Placements with other banks	168 511 690	1 675 237 493	168 511 690	269 697 010
Less: Allowance for impairment losses	-	-	-	-
Net Placements due	**195 526 372**	**1 738 176 009**	**195 526 372**	**279 829 501**

Impairment allowance for due from banks

The table below shows the credit quality and the maximum exposure to credit risk based on the Bank's internal credit rating system and year-end stage classification. The Bank makes placements with local banks whose credit rating is assessed on a yearly basis by the Global Credit Rating Company (GCR). The amounts presented are gross of impairment allowances. To cover itself from risk, the Bank takes security in the form of treasury bills for placements made. Despite the security, there has been no history of loss on placements to inform a probability of default (PD). Moreover, the loss given default (LGD) will be nil because of the security.

	Inflation Adjusted							
	2019 ZWL				2018 ZWL			
Internal rating grade	**Stage 1**	**Stage 2**	**Stage 3**	**Total**	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Performing								
High grade	-	-	-	-	-	-	-	-
Standard grade	195 526 372	-	-	195 526 372	1 738 176 009	-	-	1 738 176 009
Sub-standard grade	-	-	-	-	-	-	-	-
Past due but not impaired	-	-	-	-	-	-	-	-
Non- performing	-	-	-	-	-	-	-	-
Individually impaired	-	-	-	-	-	-	-	-
Total	**195 526 372**	**-**	**-**	**195 526 372**	**1 738 176 009**	**-**	**-**	**1 738 176 009**

	Historical							
	2019 ZWL				2018 ZWL			
Internal rating grade	**Stage 1**	**Stage 2**	**Stage 3**	**Total**	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Performing								
High grade	-	-	-	-	-	-	-	-
Standard grade	195 526 372	-	-	195 526 372	279 829 501	-	-	279 829 501
Sub-standard grade	-	-	-	-	-	-	-	-
Past due but not impaired	-	-	-	-	-	-	-	-
Non- performing				-				-
Individually impaired	-	-	-	-	-	-	-	-
Total	**195 526 372**	**-**	**-**	**195 526 372**	**279 829 501**	**-**	**-**	**279 829 501**

6 FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	Inflation adjusted		Historical	
	2019 ZWL	2018 ZWL	2019 ZWL	2018 ZWL Restated
At 1 January	43 872 774	59 360 944	7 063 092	9 556 537
Additions	18 727 839	2 817 198	4 412 301	453 542
Change in functional currency as at 21 February 2019	37 040 167	-	6 714 676	-
Net fair value gains on financial assets at fair value through other comprehensive income	90 778 567	(18 305 368)	90 778 567	(2 946 987)
Loss on net monetary position	(81 450 711)	-	-	-
At 31 December	108 968 636	43 872 774	108 968 636	7 063 092
Financial assets at fair value through other comprehensive income include the following;				
Unlisted securities:				
Equity securities - Zimbabwe	6 998 941	16 067 060	6 998 941	2 586 641
Equity securities - Botswana	101 969 695	27 805 714	101 969 695	4 476 451
	108 968 636	43 872 774	108 968 636	7 063 092

Net fair value gain on financial assets at fair value through other comprehensive income are all denominated in ZWL.

7 TREASURY BILLS AND OTHER FINANCIAL ASSETS

	Inflation adjusted		Historical	
	2019 ZWL	2018 ZWL	2019 ZWL	2018 ZWL
Treasury bills as substitution for debt instruments	7 850 489	140 986 153	7 850 489	22 697 405
Capitalisation Treasury Bills	125 672 487	974 186 391	125 672 487	156 834 573
Treasury bills acquired from the market	4 500 000	52 798 207	4 500 000	8 500 000
Accrued Interest	2 948 793	18 709 394	2 948 793	3 012 031
	140 971 769	**1 186 680 145**	140 971 769	191 044 009

It is the Group's intention to hold these treasury bills to maturity and use these financial assets as collateral in raising money market deposits.

8 LOANS AND ADVANCES TO CUSTOMERS

	Inflation Adjusted		Historical	
	2019 ZWL	2018 ZWL	2019 ZWL	2018 ZWL
Individual				
- term loans and mortgages	11 223 649	97 138 440	11 223 649	15 638 348
Corporate				
- corporate customers	49,120,692	205 497 724	49,120,692	33 083 143
Gross loans and advances to customers	60 344 341	302 636 164	60 344 341	48 721 491
Less: allowance for impairment (Note 10.1)	(1 545 240)	(20 536 849)	(1 545 240)	(3 306 234)
Net loans and advances to customers	**58 799 101**	**282 099 315**	**58 799 101**	**45 415 257**
Current	9 622 248	158 045 678	9 622 248	25 443 823
Non-current	49 176 853	124 053 637	49 176 853	19 971 434
	58 799 101	**282 099 315**	**58 799 101**	**45 415 257**

8.1 Loan impairment charge

Stage 1- 12 Month Expected Credit Loss Allowance charge	551 913	4 479 984	551 913	721 234
Stage 2- Lifetime Expected Credit loss Allowance not credit impaired	4 027	234 492	4 027	37 751
Stage 3- Lifetime Expected Credit Loss Allowance credit impaired	989 300	15 822 373	989 300	2 547 249
Net loan impairment loss	**1 545 240**	**20 536 849**	**1 545 240**	**3 306 234**

8.1.1 Maturity analysis of loans and advances to customers

	Inflation Adjusted		Historical	
	2019 ZWL	2018 ZWL	2019 ZWL	2018 ZWL
Up to one month	2 907 499	49 475 058	2 907 499	7 965 005
Up to three months	785 580	2 933 449	785 580	472 257
Up to one year	5 929 169	105 637 171	5 929 169	17 006 561
Up to 3 years	6 606 581	27 169 315	6 606 581	4 373 997
Up to 5 years	1 010 700	63 113 380	1 010 700	10 160 643
Later than 5 years	41 559 572	33 770 942	41 559 572	5 436 794
	58 799 101	**282 099 315**	**58 799 101**	**45 415 257**

Inflation Adjusted

8.1.2 Analysis of ECL in relation to loans and advances as at 31 December 2019

	2019			
	Stage1	**Stage 2**	**Stage 3**	**Total**
Loans and advances subject to Stage 1:12 month ECL	55 602 061	-	-	55 602 061
Loans and advances subject to Stage 2:Life ECL not credit impaired	-	1 435 794	-	1 435 794
Loans and advances subject to Stage 3:Life ECL credit impaired	-	-	3 306 486	3 306 486
Gross loans and advances	**55 602 061**	**1 435 794**	**3 306 486**	**60 344 341**
Less Impairment allowances				
Stage 1:12 month ECL	(551 913)	-	-	(551 913)
Stage 2:Life ECL not credit impaired	-	(4 027)	-	(4 027)
Stage 3:Life ECL credit impaired	-	-	(989 300)	(989 300)
Net Loans and advances to client	**55 050 148**	**1 431 767**	**2 317 186**	**58 799 101**

Analysis of ECL in relation to loans and advances as at 31 December 2018

	2018			
	Stage1	**Stage 2**	**Stage 3**	**Total**
Loans and advances subject to Stage 1:12 month ECL	246 973 855			246 973 855
Loans and advances subject to Stage 2:Life ECL not credit impaired		5 382 612		5 382 612
Loans and advances subject to Stage 3:Life ECL credit impaired			50 279 697	50 279 697
Gross loans and advances	**246 973 855**	**5 382 612**	**50 279 697**	**302 636 164**
Less Impairment allowances				
Stage 1:12 month ECL	(4 479 990)			(4 479 990)
Stage 2:Life ECL not credit impaired		(234 489)		(234 489)
Stage 3:Life ECL credit impaired			(15 822 370)	(15 822 370)
Net Loans and advances to client	**242 493 865**	**5 148 123**	**34 457 327**	**282 099 315**

Historical

Analysis of ECL in relation to loans and advances as at 31 December 2019

	2019			
	Stage1	**Stage 2**	**Stage 3**	**Total**
Loans and advances subject to Stage 1:12 month ECL	55 602 061	-	-	55 602 061
Loans and advances subject to Stage 2:Life ECL not credit impaired		1 435 794	-	1 435 794
Loans and advances subject to Stage 3:Life ECL credit impaired			3 306 486	3 306 486
Gross loans and advances	**55 602 061**	**1 435 794**	**3 306 486**	**60 344 341**
Less Impairment allowances				
Stage 1:12 month ECL	(551 913)			(551 913)
Stage 2:Life ECL not credit impaired		(4 027)		(4 027)
Stage 3:Life ECL credit impaired			(989 300)	(989 300)
Net Loans and advances to client	**55 050 148**	**1 431 767**	**2 317 186**	**58 799 101**

Analysis of ECL in relation to loans and advances as at 31 December 2018

				2018
	Stage1	**Stage 2**	**Stage 3**	**Total**
Loans and advances subject to Stage 1:12 month ECL	39 760 398	-	-	39 760 398
Loans and advances subject to Stage 2:Life ECL not credit impaired		866 549	-	866 549
Loans and advances subject to Stage 3:Life ECL credit impaired			8 094 544	8 094 544
Gross loans and advances	**39 760 398**	**866 549**	**8 094 544**	**48 721 491**
Less Impairment allowances				
Stage 1:12 month ECL	(721 235)			(721 235)
Stage 2:Life ECL not credit impaired		(37 750)		(37 750)
Stage 3:Life ECL credit impaired			(2 547 249)	(2 547 249)
Net Loans and advances to client	**39 039 163**	**828 799**	**5 547 295**	**45 415 257**

8.1.3 Sectorial analysis of loans and advances to customers

	Inflation adjusted				Historical			
	Percentage (%)	2019 ZWL	Percentage (%)	2018 ZWL	Percentage (%)	2019 ZWL	Percentage (%)	2018 ZWL
Manufacturing	3%	2 078 615	4%	12 237 647	3%	2 078 615	4%	1 970 143
Retail	0%	52 220	2%	4 900 811	0%	52 220	2%	788 983
Agro processing	12%	7 516 525	0%	758 711	12%	7 516 525	0%	122 145
Mining	0%	-	5%	15 947 431	0%	-	5%	2 567 382
Financial Services	5%	3 051 085	6%	18 758 090	5%	3 051 085	6%	3 019 871
Transport	1%	535 326	1%	2 144 716	1%	535 326	1%	345 279
Tourism and hospitality	0%	-	10%	31 413 569	0%	-	10%	5 057 280
Telecommunications	1%	-	1%	2 689 493	1%	-	1%	432 982
Construction	1%	763 901	2%	5 216 226	1%	763 901	2%	839 762
Energy	0%	-	31%	93 839 432	0%	-	31%	15 107 239
Mortgages	8%	4 528 202	13%	39 386 829	8%	4 528 202	13%	6 340 898
Individuals and other services	69%	41 818 467	25%	75 343 209	69%	41 818 467	25%	12 129 527
Gross value of loans and advances	100%	60 344 341	100%	302 636 164	100%	60 344 341	100%	48 721 491
Less allowance for impairment		(1 545 240)		(20 536 849)		(1 545 240)		(3 306 234)
		58 799 101		**282 099 315**		**58 799 101**		**45 415 257**

9 INVENTORIES

	Inflation adjusted		Historical	
	2019 ZWL	2018 ZWL	2019 ZWL	2018 ZWL
Inventory - housing units	1 883 367	807 582	325 032	130 014
Inventory - serviced stands	165 061 815	75 125 569	28 472 549	12 094 490
Work in progress	201 358 307	71 012 281	44 161 769	11 432 290
Consumables and materials	678 982	624 030	590 299	100 460
	368 982 471	**147 569 462**	**73 549 649**	**23 757 254**

Included in work in progress are land development costs for stands situated in Kariba, Mt Pleasant and Hwange. These are qualifying costs for capitalisation in accordance with IAS 2.

10 INVESTMENT PROPERTY

	Inflation adjusted		Historical	
	2019 ZWL	2018 ZWL	2019 ZWL	2018 ZWL
Balance as at 1 January	98 328 897	83 194 899	15 830 000	13 393 573
Additions during the year	18 730 348	21 898 786	7 672 719	3 525 492
Disposal for the year	(354 810)	(167 712)	(253 163)	(27 000)
Foreign Currency Translation Adjustment on change in functional currency at 21 February 2019	76 581 697	-	23 963 450	
Net fair value on Investment Property	33 773 868	(6 597 076)	179 846 994	(1 062 065)
Loss on monetary value	(146 073 126)	-	-	-
Net gain/(loss) from fair value adjustment	179 846 994	(6 597 076)	179 846 994	(1 062 065)
Reclassification of BSAC previously recognised as Investment Property	(1 050 000)		(1 050 000)	-
Balance as at 31 December	**226 010 000**	**98 328 897**	**226 010 000**	**15 830 000**
Analysis by nature				
Residential Properties	54 930 000	16 340 673	54 930 000	3 155 000
Commercial and industrial properties	171 080 000	81 988 224	171 080 000	12 675 000
	226 010 000	**98 328 897**	**226 010 000**	**15 830 000**

No investment properties are pledged as collateral security for fixed term deposits.

Included in the consolidated statement of profit or loss and other comprehensive income are the following amounts which relate to investment properties held by the Group.

Rental income	8 006 001	2 168 666	822 265	348 660

Investment properties includes a number of commercial, industrial and residential properties that are leased to third parties. On average the leases contain a cancellable period of up to one year. Subsequent renewals are negotiated with the lessee.

The Group's investment properties were revalued as at 31 December 2019 by an independent professionally qualified valuer who hold a recognised professional qualification and have recent experience in the locations and categories of the investment properties valued.

In computing values for the properties, reliance was placed on principally two methods; the Comparison approach and the Discounted Cash Flow (DCF) approach.

11 PROPERTY AND EQUIPMENT

Inflation adjusted	Freehold Land and buildings ZWL	Computer and office equipment ZWL	Motor vehicles ZWL	Fixtures and fittings ZWL	Capital work in progress ZWL	Total ZWL
COST						
At 01 January 2018	18 339 806	8 025 526	5 861 806	3 637 672	8 696 176	**44 560 986**
Additions	24 963 232	3 169 179	3 311 261	2 831 613	-	**34 275 285**
Revaluation gains	-	-	-	-	-	-
Disposals	-	(3 230)	-	(1 677)	-	**(4 907)**
At 31 December 2018	**43 303 038**	**11 191 475**	**9 173 067**	**6 467 608**	**8 696 176**	**78 831 364**
	-	-	-	-	-	-
At 01 January 2019	43 303 038	11 191 475	9 173 067	6 467 608	8 696 176	**78 831 364**
Additions	167 946	6 064 219	-	647 441	-	**6 879 606**
Foreign Currency Translation Gain	28 015 607	2 767 835	3 086 124	1 852 579	4 122 544	**39 844 689**
Revaluation gains	61 956 256					**61 956 256**
Loss in monetary value	(55 682 847)	-	-	-	-	**(55 682 847)**
Disposals	-	(187 289)	-	-	-	**(187 289)**
At 31 December 2019	**77 760 000**	**19 836 240**	**12 259 191**	**8 967 628**	**12 818 720**	**131 641 779**
ACCUMULATED DEPRECIATION AND IMPAIRMENT						
At 01 January 2018	2 640 022	6 483 999	4 230 565	3 452 096	3 354 239	**20 160 921**
Charge for the year	420 448	988 718	756 400	563 537	-	**2 729 103**
Disposals	-	-	-	-	-	-
At 31 December 2018	**3 060 470**	**7 472 717**	**4 986 965**	**4 015 633**	**3 354 239**	**22 890 024**
At 01 Janaury 2019	3 060 470	7 472 717	4 986 965	4 015 633	3 354 239	22 890 024
Charge for the year	697 118	1 322 322	990 203	426 163	-	**3 435 806**
Eliminated on Disposals	-	(187 289)	-	-	-	**(187 289)**
Eliminated on revaluation	(3 757 588)	-	-	-	-	**(3 757 588)**
At 31 December 2019	**-**	**8 607 750**	**5 977 168**	**4 441 796**	**3 354 239**	**22 380 953**
CARRYING AMOUNT						
Cost at 31 December 2018	43 303 038	11 191 475	9 173 067	6 467 608	8 696 176	78 831 364
Accumulated depreciation at 31 December 2018	(3 060 470)	(7 472 717)	(4 986 965)	(4 015 633)	(3 354 239)	**(22 890 024)**
Carrying amount at 31 December 2018	**40 242 568**	**3 718 758**	**4 186 102**	**2 451 975**	**5 341 937**	**55 941 340**
	-	-	-	-	-	-
Cost at 31 December 2019	77 760 000	19 836 240	12 259 191	8 967 628	12 818 720	**131 641 779**
Accumulated depreciation at 31 December 2019	-	(8 607 750)	(5 977 168)	(4 441 796)	(3 354 239)	**(22 380 953)**
Carrying amount at 31 December 2019	**77 760 000**	**11 228 490**	**6 282 023**	**4 525 832**	**9 464 481**	**109 260 826**

Historical	Freehold Land and buildings ZWL	Computer and office equipment ZWL	Motor vehicles ZWL	Fixtures and fittings ZWL	Capital work in progress ZWL	Total ZWL
COST						
At 01 January 2018	2 952 531	1 292 032	943 694	585 359	1 400 000	**7 173 616**
Additions	4 018 839	510 035	533 081	455 862	-	**5 517 817**
Disposals	-	(520)	(223 157)	-	-	**(223 677)**
At 31 December 2018	**6 971 370**	**1 801 547**	**1 253 618**	**1 041 221**	**1 400 000**	**12 467 756**
Additions	65 911	1 859 736	-	350 879	-	**2 276 526**
Foreign Currency Translation Gain	8 766 463	866 093	965 690	579 697	1 290 000	**12 467 943**
Revaluation gains	61 956 256	-	-	-	-	**61 956 256**
Disposals	-	(21 220)	-	-	-	**(21 220)**
At 31 December 2019	**77 760 000**	**4 506 156**	**2 219 308**	**1 971 797**	**2 690 000**	**89 147 261**
ACCUMULATED DEPRECIATION AND IMPAIRMENT						
At 01 January 2018	425 018	1 043 688	681 080	555 754	540 000	**3 245 540**
Charge for the year	67 688	159 173	121 773	90 726	-	**439 360**
Disposals	-	-	(223 157)	-	-	**(223 157)**
At 31 December 2018	**492 706**	**1 202 861**	**579 696**	**646 480**	**540 000**	**3 461 743**
At 01 Janaury 2019	492 706	1 202 861	579 696	646 443	540 000	**3 461 706**
Charge for the year	271 947	515 876	386 280	166 247	-	**1 340 350**
Eliminated on Disposals	-	(8 252)	-	-	-	**(8 252)**
Eliminated on revaluation	(764 653)	-	-	-		**(764 653)**
At 31 December 2019	**-**	**1 710 485**	**965 976**	**812 690**	**540 000**	**4 029 151**
CARRYING AMOUNT						
Cost at 31 December 2018	6 971 370	1 801 547	1 253 618	1 041 221	1 400 000	**12 467 756**
Accumulated depreciation at 31 December 2018	(492 706)	(1 202 861)	(579 696)	(646 480)	(540 000)	**(3 461 743)**
Carrying amount at 31 December 2018	**6 478 664**	**598 686**	**673 922**	**394 741**	**860 000**	**9 006 013**
Cost at 31 December 2019	77 760 000	4 506 156	2 219 308	1 971 797	2 690 000	**89 147 261**
Accumulated depreciation at 31 December 2019	-	(1 710 485)	(965 976)	(812 690)	(540 000)	**(4 029 151)**
Carrying amount at 31 December 2019	**77 760 000**	**2 795 671**	**1 253 332**	**1 159 107**	**2 150 000**	**85 118 110**

Depreciation expense of ZWL 3 435 806 (2018: ZWL 2 729 103) has been charged to operating expenses (Note 34).

Revaluation of Land and Buildings

The accounting policy for land and buildings was changed from the cost model to the revaluation model with effect from 01 January 2019. The rationale behind the change was to ensure that the values of land and buildings are in line with what is obtaining in the market and thus achieve fair presentation. Land and buildings were then revalued at the end of the year. The fair value of the land and buildings was determined using the market comparable method. As at the dates of revaluation on 31 December 2019, land and buildings fair values were based on valuations performed by Zimre Properties, an accredited independent valuer who has valuation experience for similar office properties in Zimbabwe. A net gain from the revaluation of the office properties of ZWL 62 720 910 in 2019 was recognised in OCI.

Change in Accounting Estimates

The Bank revised the useful life of PPE which resulted in a change in accounting estimates. The estimates were recognised prospectively by including it in profit or loss and adjusting the carrying amount of the property and equipment in 2019. The change in accounting estimates decreased depreciation charge for the year by ZWL 178 219.

12 RIGHT OF USE ASSETS

	Inflation adjusted ZWL	Historical ZWL
Cost		
At 01 January 2019	3 505 496	564 351
(Adjustments) /additions	(1 582 992)	1 392 860
At 31 December 2019	**1 922 504**	**1 957 211**
Accumulated Depreciation		
At 01 January 2019	90 150	14 513
Charge for the year	(32 201)	97 435
At 31 December 2019	**57 949**	**111 948**
Loss on monetary value	**(19 292)**	-
Carrying Amount		
At 31 December 2019	1 845 263	1 845 263

The Bank opted to disclose the Right of Use Assets separately from Property and Equipment on the face of the Statement of Financial Position.

13 SHARE CAPITAL AND SHARE PREMIUM

Authorised share capital
150 000 000 ordinary shares with a nominal value of ZWL0,01.

The directors are authorised to issue an unlimited number of preference shares as approved by shareholders.

Inflation Adjusted

Issued share capital	Number of shares	Share capital ZWL	Share premium ZWL	Amounts Awaiting Allotment ZWL	Total ZWL
At 1 January 2019	6 528 190	405 496	197 438 785	807 501 997	1 005 346 278
Issue of shares	-	-	-	2 804 299	2 804 299
At 31 December 2019	**6 528 190**	**405 496**	**197 438 785**	**810 306 296**	**1 008 150 577**
At 1 January 2018	4 462 090	277 159	55 496 483	-	55 773 642
Issue of shares	2 066 100	128 337	141 942 302	807 501 997	949 572 636
At 31 December 2018	**6 528 190**	**405 496**	**197 438 785**	**807 501 997**	**1 005 346 278**

Historical

Issued share capital	Number of shares	Share capital ZWL	Share premium ZWL	Amounts Awaiting Allotment ZWL	Total ZWL
At 1 January 2019	6 528 190	65 281	31 785 732	130 000 000	161 851 013
Issue of shares	-	-	-	500 000	500 000
At 31 December 2019	**6 528 190**	**65 281**	**31 785 732**	**130 500 000**	**162 351 013**
At 1 January 2018	4 462 090	44 620	8 934 396	-	8 979 016
Issue of shares	2 066 100	20 661	22 851 336	130 000 000	152 871 997
At 31 December 2018	**6 528 190**	**65 281**	**31 785 732**	**130 000 000**	**161 851 013**

Rights Issue
2 066 100 shares were issued pursuant to rights issue by the Group to ordinary shareholders during the year at a par value of $0.01 per share. The rights issue was with $ 2 872 886 cash and $ 150 000 000 worth of treasury bills. Of the amount raised, $22 872 886 was allotted as at 31 December 2018 and $130 000 0000 remained in Amounts Awaiting Allotment. An additional $500 000 was paid as a fulfilment of the rights issue.

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the company. All ordinary shares rank equally with regard to the company's residual assets.

14 FOREIGN CURRENCY TRANSLATION RESERVE (FCTR)

The reserve arose from the net effect of restatement of assets and liabilities previously denominated in the Zimbabwe dollar to the United States dollars following the introduction of the multi-currency regime in the Zimbabwean economy on 1 January 2009 as well as due to the change of functional currency from the United States Dollar (USD) to Zimbabwe Dollar (ZWL) and the introduction of exchange rate between the United States Dollars and the ZWL dollars on 21 February 2019.

	Inflation adjusted		Historical	
	2019 ZWL	2018 ZWL	2019 ZWL	2018 ZWL
At the beginning of the year	(1 593 990)	(1 593 990)	(256 617)	(256 617)
Charge for the year	363 612 059	-	65 915 933	-
At the end of the year	362 018 069	(1 593 990)	65 659 316	(256 617)

15 FAIR VALUE

	Inflation adjusted		Historical	
	2019 ZWL	2018 ZWL	2019 ZWL	2018 ZWL
At the beginning of the year	3 922 429	**22 227 797**	631 474	3 578 460
Other comprehensive income for the year	127 818 734	**(18 305 368)**	97 493 243	(2 946 986)
At the end of the year	131 741 163	**3 922 429**	98 124 717	631 474

16 PREFERENCE SHARE CAPITAL

The preference shares are 5% non-cumulative, non-redeemable and paid up preference shares with a par value of ZWL100.00 per share. A dividend is payable at the discretion of Directors and is paid out of distributable profits.

No dividend has been declared during the financial year.

Inflation adjusted

Issued preference share capital	Number of shares	Preference Share capital ZWL	Total ZWL
At 1 January 2019	382 830	237 796 934	237 796 934
Issue of shares	-	-	-
At 31 December 2019	**382 830**	**237 796 934**	**237 796 934**
At 1 January 2018	382 830	237 796 934	237 796 934
Issue of shares	-	-	-
At 31 December 2018	**382 830**	**237 796 934**	**237 796 934**

Historical

Issued preference share capital	Number of shares	Preference Share capital ZWL	Total ZWL
At 1 January 2019	382 830	38 283 003	38 283 003
Issue of shares	-	-	-
At 31 December 2019	**382 830**	**38 283 003**	**38 283 003**
At 1 January 2018	382 830	38 283 003	38 283 003
Issue of shares	-	-	-
At 31 December 2018	**382 830**	**38 283 003**	**38 283 003**

17 DEPOSITS FROM CUSTOMERS

	Inflation adjusted		Historical	
	2019 ZWL	2018 ZWL	2019 ZWL	2018 ZWL
Deposits from customers are primarily comprised of amounts payable on demand and term deposits.				
Large corporate customers	59 568 507	202 046 690	59 568 507	32 527 560
Retail customers	3 597 298	16 393 601	3 597 298	2 639 211
	63 165 805	218 440 291	63 165 805	35 166 771

17.1 Maturity analysis of deposits from customers

Up to one month	58 772 507	152 021 843	58 772 507	24 474 044
Up to three months	4 177 366	65 838 009	4 177 366	10 599 282
Above six months	215 932	580 439	215 932	93 445
	63 165 805	218 440 291	63 165 805	35 166 771

Deposits due to customers only include financial instruments classified as liabilities at amortised cost.
The fair value of the deposits approximate the fair value due to their short tenure.

17.2 Sectorial analysis of deposits from customers

	Inflation Adjusted				Historical			
	Percentage (%)	2019 ZWL	Percentage (%)	2018 ZWL	2019 ZWL	2019 ZWL	Percentage (%)	2018 ZWL
Financial markets	40%	25 425 000	0%	-	40%	25 425 000	0%	-
Fund managers and pension funds	22%	13 893 722	0%	943 268	22%	13 893 722	0%	151 857
Individuals	0%	99 741	9%	18 840 485	0%	99 741	9%	3 033 136
Government and public sector institutions	28%	17 582 560	38%	83 187 777	28%	17 582 560	38%	13 392 426
Other services	10%	6 164 782	53%	115 468 761	10%	6 164 782	53%	18 589 352
	100%	**63 165 805**	**100%**	**218 440 291**	**100%**	**63 165 805**	**100%**	**35 166 771**

18 LOCAL LINES OF CREDIT AND BONDS

	Inflation adjusted		Historical	
	2019 ZWL	2018 ZWL	2019 ZWL	2018 ZWL
Bonds	21 471 763	295 435 479	21 471 763	47 562 251
Lines of credit	241 749 210	1 800 974 430	241 749 210	289 939 439
Total	**263 220 973**	**2 096 409 909**	**263 220 973**	**337 501 690**
Current	9 283 083	151 171 369	9 283 083	24 337 126
Non current	253 937 890	1 945 238 540	253 937 890	313 164 564
	263 220 973	**2 096 409 909**	**263 220 973**	**337 501 690**

	Inflation adjusted		Historical	
	Bonds 2019 ZWL	Lines of credit 2019 ZWL	Bonds 2019 ZWL	Lines of credit 2019 ZWL
The movement in the balances during the year was as follows;				
At 1 January	47 562 251	289 939 439	47 562 251	289 939 439
New issues/funding	3 720 000	1 586 034 719	3 720 000	1 586 034 719
Repayments/Disbursements	(29 810 489)	(1 634 224 947)	(29 810 489)	(1 634 224 947)
At 31 December	**21 471 762**	**241 749 211**	**21 471 762**	**241 749 211**

	Inflation adjusted		Historical	
	Bonds 2018 ZWL	Lines of credit 2018 ZWL	Bonds 2018 ZWL	Lines of credit 2018 ZWL
The movement in the balances during the year was as follows;				
At 1 January	379 131 299	143 954 442	61 036 467	23 175 271
New issues/funding	101 437 338	2 848 752 013	16 330 429	458 621 481
Repayments/Disbursements	(185 133 158)	(1 191 732 025)	(29 804 645)	(191 857 313)
At 31 December	**295 435 479**	**1 800 974 430**	**47 562 251**	**289 939 439**

Lines of credit and bonds are recognised initially at fair value, net of transaction costs incurred. Lines of credit and bonds are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the statement of comprehensive income over the period of the borrowings using the effective interest method.

19 NET INTEREST INCOME

	Inflation adjusted		Historical	
	2019 ZWL	2018 ZWL	2019 ZWL	2018 ZWL
19.1 Interest and related income:				
Loans and advances to large corporates	14 320 591	21 104 713	7 255 273	3 397 655
Treasury bills and other financial assets	3 343 226	31 611 439	9 431 742	5 089 135
Placements with local banks	30 230 559	4 701 230	630 741	756 852
Mortgages	2 461 101	3 672 321	1 873 716	591 208
Cash and bank balances	20 030 255	24 356 656	4 003 234	3 921 186
	70 385 732	**85 446 359**	**23 194 706**	**13 756 036**
19.2 Interest and related expenses:				
Deposits from large corporates	(17 270 591)	(8 879 141)	(5 745 433)	(1 429 456)
Deposits from individuals	(165 943)	-	(53 733)	-
Bonds	(11 605 866)	(27 232 342)	(3 264 520)	(4 384 143)
	(29 042 400)	**(36 111 483)**	**(9 063 686)**	**(5 813 599)**

20 EARNINGS PER SHARE

	Inflation adjusted		Historical	
Basic and diluted loss per share	2019 ZWL	2018 ZWL	2019 ZWL	2018 ZWL
Basic earnings per share is calculated by dividing the loss attributable to equity holders of the Bank by the number of ordinary shares in issue during the year. No dilutive instruments were held during the year. (2018 - ZWLnil). The calculation of basic earnings per share at 31 December was based on the following:				
Profit/(Loss) attributable to equity holders	(866 712 868)	5 352 707	193 051 919	861 736
Weighted average number of issued ordinary shares	6 528 190	6 528 190	6 528 190	6 528 190
Basic profit / (loss) per share (ZWL cents)	**(13 276)**	**82**	**2 919**	**13**

21 RELATED PARTIES

Related party transactions are a normal feature of business and are disclosed in terms of IAS 24: Related Party Disclosures. Related party transactions may affect the assessment of operations, risk and opportunity facing the organisation.

Identity of related parties
The Bank has a related party relationship with its major shareholders, associates and key management personnel.

The following transactions were carried out with related parties:
A number of banking transactions are entered into with related parties in the normal course of business. For the year ended 31 December 2019, these included:
a) Sales and purchases of goods and services
There were no sales and purchases of goods and services with any related parties.
b) Key management compensation
Key management includes directors (executive and non-executive) and members of the Executive Committee. The compensation paid or payable to key management for employee services is shown below:

	Inflation adjusted		Historical	
	2019 ZWL	2018 ZWL	2019 ZWL	2018 ZWL
Salaries and other short-term employee benefits	6 908 813	6 285 803	2 105 539	1 011 953
Post-employment benefits	257 303	296 030	78 416	47 658
Total	**7 166 116**	**6 581 833**	**2 183 955**	**1 059 611**

c) Loans and advances to related parties

Loans and advances to related parties

	Inflation adjusted			
	Directors and other key management personnel 2019 ZWL	Associated companies 2019 ZWL	Directors and other key management personnel 2018 ZWL	Associated companies 2018 ZWL
Loans outstanding at 31 December	2 025 874	-	7 241 417	-
Interest income earned	283 291	-	381 222	-

Loans and advances to related parties

	Historical			
	other key management personnel 2019 ZWL	Associated companies 2019 ZWL	other key management personnel 2018 ZWL	Associated companies 2018 ZWL
Loans outstanding at 31 December	2 025 874	-	1 165 798	-
Interest income earned	86 336	-	61 373	-

No allowance for impairment was required in 2019 (2018: ZWL nil) for the loans made to key management personnel.

The loans issued to directors and other key management personnel are unsecured, carry fixed interest rates and are payable on reducing balance.

	Inflation adjusted			
d) Deposits from related parties	Directors and other key management personnel 2019 ZWL	Associated companies 2019 ZWL	Directors and other key management personnel 2018 ZWL	Associated companies 2018 ZWL
Deposits at 31 December	11 768	-	6 331	-
Interest expense on deposits	-	-	-	-

	Historical			
Deposits from related parties	Directors and other key management personnel 2019 ZWL	Associated companies 2019 ZWL	Directors and other key management personnel 2018 ZWL	Associated companies 2018 ZWL
Deposits at 31 December	11 768	-	1 019	-
Interest expense on deposits	-	-	-	-

The above deposits are unsecured, carry fixed interest rates and are repayable on maturity date.

e) Director's shareholdings
As at 31 December 2019, the Directors did not hold directly and indirectly any shareholding in the Group.

22 EVENTS AFTER THE REPORTING DATE

The Group was involved in a legal case with Engen Petroleum Zimbabwe (Private) Limited, where Engen made a claim against Wedzera Petroleum (Private) Limited as the first defendant and Infrastructure Development Bank of Zimbabwe ("IDBZ" / "the Bank") as second defendant for payment of the sum in respect of fuel supplied to Wedzera on the back of guarantee purportedly issued by IDBZ. Judgement by the Supreme Court was handed down on 10 February 2020 wherein the Bank lost the appeal and was asked to pay ZWL847 848 being the principal of the liability that was owed since 15 April 2016 together with interest at the rate of 5% per annum from 15 April 2016).

The judgment confirmed the liability which was prevalent at 31 December 2019 regarding the legal case between Engen and IDBZ. Hence, the transaction was treated as an adjusting post balance sheet event. Resultantly a liability of ZWL1 005 123 (being capital of ZWL847 848 plus interest of ZWL 157 275) was recognised as a liability as at 31 December 2019.

23 GOING CONCERN

The Group's operations have been significantly affected and may continue to be affected by the challenging environment particularly the lack of liquidity in the Zimbabwean economy. However, the Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future.

In the current year, the Group has made a loss of ZWL 866 million (2018: profit of ZWL5 million) hyper inflation adjusted historical profit of ZWL 191 million (2018 ZWL 814k).

In addition, section 32 of the Infrastructure Development Bank of Zimbabwe Act (Chapter 24:14), stipulates that the Bank cannot be wound up except by or under the authority of an Act of the Parliament of Zimbabwe.

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