Infrastructure Development Bank of Zimbabwe

AUDITED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020

"Transformation and Retooling Towards a DFI of Scale."

CHAIRMAN'S STATEMENT

Background

In 2020, the Bank's operations were impacted by a challenging macroeconomic environment characterised by high inflation and exchange rate volatility in the first half of the year. This significantly impacted project budgets and the Bank's fundraising initiatives. The COVID–19 induced disruptions worsened the situation, negatively affecting productivity across the economy and, for the Bank, slowing down project cycle activities. Businesses were also affected by enduring infrastructure bottlenecks, and climate extremes. These headwinds contributed to the country's GDP declining by 4.1%, after receding by 6.1% in 2019. In the second half of 2020, the country experienced relative exchange rate stability due to the introduction of the foreign exchange auction trading system, and the inflation pressures eased. Looking ahead, anchored on a broadly good agricultural season, recovery of the mining sector and a more stable macroeconomic environment, a 7.4% GDP growth for 2021 is anticipated. This is expected to provide a positive environment for improved sustainable and resilient infrastructure development.

Contribution to Vision 2030

Drawing inspiration and clear direction from the National Vision 2030 that envisages an Upper Middle-Income Status for the country, the National Development Strategy 1 (2021-2025), UN Sustainable Development Goals (SDGs) and African Agenda 2063, the Bank is in the process of crafting a Long-Term Strategy (LTS) covering period 2021 to 2030. The LTS will be successor to the Bank's Medium-Term Strategy: 2016-2020 (MTS). It builds on the foundation laid over the past 5 years and responds to the country's socio-economic growth aspirations through supporting infrastructure development primarily in the Water and Sanitation, Housing, Irrigation, Transport, and Energy sectors (WHITE). Secondary sectors of focus will include Health, Education, Tourism, and Information Communication Technology (ICT). In all its operations, the Bank will continue to strengthen its capacity to mainstream environmental, social and gender considerations in all its operations in line with its Gender Policy and Environmental and Social Sustainability Policy.

The commitment by the Government of Zimbabwe to pursue macroeconomic stability and swiftly implement the "ease of doing business" reforms facilitate the Bank's thrust to mobilise long term funding for infrastructure development. The IDBZ will continue to complement Government efforts in the mobilisation of resources for public infrastructure. It is estimated that the country requires about US$ 3.4 billion per year over 10 years from 2020 in order to close the infrastructure gap. Considering constrained fiscal space and other competing needs, the need to crowd in the private sector, donor agencies and other development partners towards infrastructure development, cannot be overemphasised.

The IDBZ, through its Project Preparation and Development Facility (PPDF), supports project preparation activities such as feasibility studies, environmental and social impact assessments, engineering designs and development permits. This facilitates the development of projects to bankability, a critical pre-condition for successfully promoting infrastructure projects for investment. The Bank is working on further capitalising the PPDF through support from Government and development partners in a quest to accelerate project preparation activities and build a healthy pipeline of investment-ready projects.

Bank Performance

The IDBZ continued contributing to the uplifting of the lives of Zimbabweans through the development of sustainable, inclusive, and resilient infrastructure. Significant progress was made towards the implementation of housing and student and staff accommodation projects, albeit under a challenging macroeconomic environment. For instance, project works for the Elizabeth Park Housing Project in Ruwa were completed and the Bulawayo Student Accommodation Complex (BSAC) project is now at an advanced stage of completion, while work commenced in the last quarter of 2020 on Sumben Phase I Housing Project in Harare.

The Bank is working towards establishing a Climate Finance Facility (CFF) for mobilising funding from various climate finance sources, including DFIs and Multilateral Finance Institutions, in support of climate investments. This is complementing the effort that the Bank is putting towards accreditation to the Green Climate Fund (GCF). Progress on both projects has been satisfactory, and we are very excited about the prospects. The Bank's application for accreditation with the GCF is in the final evaluation stage, whilst the CFF feasibility study was completed in 2020, with focus now on the development of key documentation necessary in setting up the Facility and for use in engaging funding partners. These initiatives are central in supporting the country's low carbon emissions and adaptation interventions, as well as critical enablers in supporting the green recovery post Covid-19.

Appreciation

I would like to thank all the stakeholders whose efforts contributed to the achievement of the Bank's mandate. My gratitude 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 ZW$119.1 million towards the Bank's capitalisation during the reporting period. Various capitalisation initiatives are being pursued as the Bank seeks to strengthen its balance sheet and build capacity to scale up its infrastructure development interventions.

The Bank would also like to thank development partners for the technical assistance and funding support availed to the Bank.

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

Joseph Mutizwa
Chairman of the Board
Date: 17 March 2021

CHIEF EXECUTIVE OFFICER'S STATEMENT

Bank Operations

In line with the rolling 2020-2022 Work Programme and Budget theme, "Balancing Development Impacts with Financial Sustainability", the Bank focused on developing a multisectoral project pipeline through availing technical support and project development funding across the various sectors in its mandate. Significant progress was also achieved in mobilising resources for deployment in the implementation of projects.

During the period under review, projects with an estimated cost of US$166.1 million were committed to the pipeline and US$68 375 (ZWL3.55 million) was disbursed towards project preparation activities. Projects that benefited from the Bank's preparation funding included; Getjenge Housing (Plumtree), Sumben Housing (Harare), Lupane Student Accommodation Complex (Lupane), Catholic University of Zimbabwe Student Accommodation (Harare) and Bindura University of Science Student Accommodation (Bindura). All these projects are expected to reach bankability in 2021. One housing project worth US$2.6 million, Willsgrove Park Phase II Housing Project in Bulawayo, reached bankability in 2020. Furthermore, the following projects are also under preparation and packaging in 2021:

- Chinhoyi University of Technology Students Accommodation Project (Chinhoyi Campus);
- Fernhill Special Economic Zone Project (Gemmology Centre, Mutare);
- Zambuko Housing Project (Gweru);
- Spitzkop Housing Project (Gwanda);
- Victoria Ranch Housing Project (Masvingo);
- Athol House Health Facility – Phase I (Harare); and,
- Biri Irrigation Project Feasibility Study (Chinhoyi).

During the reporting period, the Bank raised ZW$614 million towards project financing activities. Of this, ZWL325.6 million (equivalent to US$6.2 million) was raised for the ongoing Bulawayo Student Accommodation Complex (BSAC) Project and ZW$288.2 million was raised under the Vaka/Yakha Zimbabwe Infrastructure Bond Programme for the financing of the Elizabeth Park Housing Project (ZW$23.8 million) and Sumben Phase I Housing Project (ZW$264.4 million).

Despite the erosion of budgets due to exchange rate movements, the Bank managed to finance some private sector projects, albeit at a reduced scale. The Bank's loan book closed 2020 at ZW$93.5 million.

In support of Government 's Public Sector Investment Programme (PSIP), the Bank disbursed ZW$631 million of the available ZW$670 million, constituting a 94.2% a disbursement rate.

Apart from the devastating effects of the Covid-19 pandemic, the Bank was also affected by exchange rate volatility and high inflation pressures. This saw construction costs rising sharply, whilst resources available for project implementation continued to lose value, resulting in project funding gaps. That notwithstanding, several housing sector projects were under implementation in 2020. These are:

- Bulawayo Students Accommodation Complex (BSAC) - 69% overall completion;
- Elizabeth Park Housing Project (37 medium density residential stands) – 100% completion of works;
- Kariba Housing Development (Baobab & Kasese residential suburbs) – 80% overall completion; and,
- Sumben Phase I Housing Project, (356 low density residential stands) – 30% overall completion.

Projects that were previously targeted for completion in 2020, namely Empumalanga West (Hwange) Housing Project (2 135 high density stands) and Kariba Housing Development Project (Kasese) (1 408 high stands) were taken over by Government through the Ministry National Housing and Social Amenities, with the Ministry now focusing on the completion of construction works.

In 2021, focus will be on mobilising funding for the implementation of Sumben Phase I Housing Project (Harare) and Willsgrove Park Phase II Housing Project (Bulawayo); as well as the following housing and USSAP projects:

- Completion of the Bulawayo Students Accommodation Complex Project (BSAC)
- Lupane Students Accommodation Complex Project;
- Chinhoyi University of Technology Student Accommodation Project;
- Bindura University of Science Education Student Accommodation Project;
- Catholic University of Zimbabwe Student Accommodation Project; and,
- Zambuko Housing Project (Gweru).

In line with the thrust on clean energy and efforts to contribute to the reduction of the energy deficit, the Bank is supporting the preparation of the following renewable energy projects in 2021:

- Tjibundule Solar Project (Plumtree);
- Gwayi Solar Project (Gwayi); and,
- Odzani Mini Hydro Project (Penhalonga).

In 2020, the Bank, working together with key stakeholders, coordinated the ongoing Tugwi Mukosi Irrigation Feasibility Study and procurement of a Consultant to carry out the Biri Irrigation Feasibility Study. This work will continue in 2021.

The Bank is pursuing a Recapitalisation Programme whose main objectives are to strengthen the Bank's balance sheet and funding capacity, facilitate access to long term funding suitable for infrastructure investments and, ultimately, attract strategic partners that are aligned to the Bank's developmental mandate. The Bank's Recapitalisation Programme will be implemented in phases through a series of transactions to be undertaken over the next 3-5 years. In the short term, the Bank will look for capacitation by its shareholders in order to build the foundation to anchor other capitalisation initiatives. The implementation approach for the Bank's capitalisation will involve:

- a Rights Offer to current shareholders in the first half of 2021 to raise liquid capital and give the Bank capacity to scale up its project preparation activities and private sector lending operations;
- allocation of land assets to the IDBZ by Government, as a pragmatic strategy to fortify the Bank's balance sheet;
- issuance of mezzanine capital/quasi-equity and debt instruments, as well as the implementation of Public Private Partnerships (PPPs) project financing arrangements; and,
- staged equity offerings to new strategic partners, as well as the establishment of thematic offshore funds structured around investment opportunities in export agriculture, mining, and renewable energy. The establishment of thematic funds will require support from Multilateral Finance Institutions with the necessary expertise and experience in structuring and implementing such funding platforms.

The Bank deepened its collaborative relationships with various cooperating partners. The World Bank and Development Bank of Southern Africa (DBSA) continue to provide invaluable technical assistance as the Bank develops its Climate Finance capability and pursues accreditation with the Green Climate Fund. The French Development Agency (AFD) has availed a grant of EUR 200,000 to the Bank towards capacity building. In addition, the AFD has allocated a grant of EUR 100,000 towards co-financing the Biri Irrigation Scheme Feasibility Study alongside the Bank.

In 2019, the Bank was nominated by the Reserve Bank of Zimbabwe (RBZ), amongst other financial institutions, to be certified under the European Organisation for Sustainable Development (EOSD)'s Sustainability Standards Certification Initiative (SSCI). The Board approved the Bank's participation in the certification process in the second quarter of 2020. By the close of the year the Purpose Statement and High Impact Goals were under review by EOSD which is the first qualifying step in the certification process. The Bank's Internal Audit conducted a gap assessment of the Bank Policies and Strategies against the Sustainability Standards, and going forward focus will be on undertaking various initiatives and activities to address identified gaps and advance the certification process.

The Bank will continue to utilize various instruments and funding mechanisms, including infrastructure bonds, structured finance, joint ventures, and blended finance, to assist in closing the country's infrastructure gap.

Financial Performance (Inflation Adjusted)

The Bank's revenue grew by 105% from ZWL375 million in 2019 to ZWL768 million in 2020. Revenue growth was driven by property sales income as well as an increase in interest income contributed by a 211% growth in loans and advances from the Elizabeth Park Housing and Sumben Phase I Housing Projects' stands sale.

Investment property was measured at fair value at year end, and that resulted in fair value gain of ZWL858 million. However, the Bank made an operating loss of ZWL408 million, a 90% decrease from prior year operating loss of ZWL3.9 billion. The operating net position was driven by a loss on the net monetary position due to inflationary pressures which saw the year-on-year inflation reaching 837.5% in July 2020 before receding to 348.6% in December 2020.

Other comprehensive income for the year totalled ZWL700 million of which net fair value gain on financial assets was ZWL410 million and revaluation surplus on land and buildings was ZWL290 million. As a result, a total comprehensive profit for the year of ZWL292 million was realised against a prior year loss of ZWL3 billion.

Other receivables and prepayments grew by 480% due to ZWL820 million owed to the Bank for the purchase on cost recovery basis of Housing Projects. Treasury bills declined significantly by 161 % due to the disposal of ZWL105 million Capitalisation Treasury Bills during the year to support the liquidity position of the Bank.

Overall, the total assets declined by 4% from ZWL5.9 billion at the prior year-end to ZWL5.6 billion as at 31 December 2020 due to the depreciation of the Zimbabwe Dollar (ZWL).

During the year, there was a capital injection by the shareholders of ZWL119 million. The funds injected will be reckoned in the Rights Issue to be conducted in 2021 to raise additional liquid capital to support the Bank's operations.

Appreciation

My appreciation goes to the Government of Zimbabwe, 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 continued guidance and support to the Bank's Management and Staff is always cherished.

T. Zondo Sakala
Chief Executive Officer
Date: 17 March 2021

AUDITED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020

Infrastructure Development Bank of Zimbabwe

"Transformation and Retooling Towards a DFI of Scale."

CORPORATE GOVERNANCE

Board of Directors

Section 4 (2) of the IDBZ Act, as amended, provides that the size of the IDBZ Board shall be a minimum of 7 and a maximum of 9 Directors.

The current Board of Director is comprised of eight (8) non-executive directors and the Chief Executive Officer as ex-officio member.

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.

Board Attendance Record - FY2020

	Main Board	Audit Committee	Finance, Risk Management & ICT	Human Resources	Corp Govern, Ethics & Sustainability
BOARD MEMBER	**4**	**3**	**4**	**4**	**3**
MUTIZWA Joseph	4	n/a	4	3	3
MLAMBO Kupukile	4	n/a	3	n/a	2
BANGO Sibusisiwe P	4	3	n/a	4	n/a
MUGWARA Reginald	2	2	n/a	3	n/a
MUGWAGWA Norbert	4	n/a	3	4	n/a
MUTONGA Jeremiah	3	2	4	n/a	2
MUZOROZA Tadios	4	n/a	n/a	3	3
NGWERUME Luke EM	4	3	4	n/a	n/a
Meeting Dates	23-Mar-20	18-Mar-20	15-Jul-20	3-Mar-20	29-Jul-20
	20-May-20	25-Aug-20	26-Aug-20	22-Jul-20	23-Sep-20
	9-Sep-20	21-Oct-20	13-Oct-20	16-Sep-20	17-Nov-20
	16-Dec-20		25-Nov-20	11-Nov-20	

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 for the period from1 January 2019 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	2019 score	2018 score
Governance	40%	38.46%	42.62%
Financial	40%	33.33%	27.83%
Operational	20%	19.03%	17.17%
Overall Score		90.82%	87.62%
PSGRS rating		A+	A+

AUDITOR'S STATEMENT

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 2020, which have been audited by Messrs Baker Tilly Chartered Accountants (Zimbabwe) and a qualified opinion issued thereon.

The basis of qualification is due to the misstatements contained in the opening balances from prior year with respect to the inappropriate recognition of Foreign Currency Translation Reserve ("FCTR") against the requirements of International Accounting Standard (IAS 21) "The Effects of Changes in Foreign Exchange Rates".

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.

The engagement partner on the audit resulting in this independent auditor's report is Phibion Gwatidzo (PAAB Practising Number: 0365)

Baker Tilly Chartered Accountants
Zimbabwe

Consolidated Statement of Financial Position

FOR THE YEAR ENDED 31 DECEMBER 2020

		Inflation Adjusted		Historical	
	Note	31 Dec 2020 ZWL	31 Dec 2019 ZWL	31 Dec 2020 ZWL	31 Dec 2019 ZWL
ASSETS					
Cash and bank balances	4	359 977 180	879 331 421	359 977 180	196 025 699
Inventories	10	1 871 626 892	1 655 180 329	259 361 265	73 549 649
Other receivables and prepayments	9	905 291 332	156 214 396	847 113 255	33 618 193
Loans and advances to customers	8	182 617 769	263 760 809	182 617 769	58 799 101
Investment securities	5	24 176 246	2 979 543	24 176 246	664 217
Financial assets at fair value through other comprehensive income	6	539 924 240	488 811 141	539 924 240	108 968 636
Treasury bills and other financial assets	7	7 996 488	632 370 685	7 996 488	140 971 769
Assets pledged as collateral	7.1	69 396 000	181 830 703	69 396 000	40 534 763
Investment in associates		81 092 122	80 143 970	3 392 806	2 824 866
Investment property	11.2	1 069 490 654	1 013 834 900	1 069 490 654	226 010 000
Intangible assets		2 778 035	2 981 699	112 378	226 854
Property and equipment	12	512 493 080	490 121 848	378 264 079	85 118 110
Rights of use of assets	13	6 778 657	8 277 474	6 778 657	1 845 263
Deferred taxation		-	143 003	-	31 879
Total assets		**5 633 638 695**	**5 855 981 921**	**3 748 601 017**	**969 188 999**
EQUITY AND LIABILITIES					
LIABILITIES					
Deposits from customers	19	223 980 533	283 348 957	223 980 533	63 165 805
Local lines of credit and bonds	20	338 218 389	1 180 755 754	338 218 389	263 220 973
Other liabilities		180 209 292	61 848 758	180 257 193	13 787 686
Lease Liability-Buildings		6 225 786	8 006 808	6 225 786	1 784 924
Total liabilities		**748 634 000**	**1 533 960 277**	**748 681 901**	**341 959 388**
EQUITY					
Share capital	14	2 081 532	1 818 975	187 848	65 281
Share premium	14	1 211 223 198	885 670 239	183 767 850	31 785 732
Foreign Currency Translation Reserve	15	1 609 215 208	1 623 939 439	51 967 059	65 659 316
Amounts Awaiting Allotment	14	3 580 002 465	3 634 869 259	100 000 000	130 500 000
Preference share capital	18	1 066 708 686	1 066 708 686	38 283 003	38 283 003
Fair value reserve	17	1 001 007 190	590 964 067	508 142 136	98 124 717
Revaluation Reserve	16	479 814 094	234 895 624	297 282 774	52 364 305
Retained profit/(loss)		(4 362 724 199)	(3 967 534 826)	1 750 287 060	187 721 557
Equity attributable to parent owners of the Group		**4 587 328 174**	**4 071 331 463**	**2 929 917 730**	**604 503 911**
Non-controlling interest in equity		**297 676 521**	**250 690 181**	**70 001 386**	**22 725 700**
Total shareholders' equity		**4 885 004 695**	**4 322 021 644**	**2 999 919 116**	**627 229 611**
Total equity and liabilities		**5 633 638 695**	**5 855 981 921**	**3 748 601 017**	**969 188 999**

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

Joseph Mutizwa
(Chairman of the Board)
Date: 17 March 2021

Thomas Z. Sakala
(Chief Executive Officer)
Date: 17 March 2021

Consolidated Statement of Profit or Loss and other Comprehensive Income

FOR THE YEAR ENDED 31 DECEMBER 2020

		Inflation Adjusted		Historical	
	Note	31 Dec 2020 ZWL	31 Dec 2019 ZWL	31 Dec 2020 ZWL	31 Dec 2019 ZWL
Interest and related income	21.1	45 689 364	315 736 080	25 569 380	23 194 706
Interest and related expense	21.2	(61 466 407)	(130 278 301)	(36 589 268)	(9 063 686)
Net interest income		(15 777 043)	185 457 779	(11 019 888)	14 131 020
Property sales		782 733 078	1 176 253	782 733 078	79 878
Cost of sales		(23 257 671)	(119 058)	(23 257 671)	(5 964)
Net proceeds from property sales		759 475 407	1 057 195	759 475 407	73 914
Fee and commission income		24 639 371	187 242 384	12 781 907	23 463 414
Dividend income		63 249	759 075	58 528	47 603
Revenue		**768 400 984**	**374 516 433**	**761 295 954**	**37 715 951**
Other income		27 578 312	31 591 098	20 451 719	4 533 239
Loan impairment (charge)/ write back		(5 174 220)	7 855 841	(2 468 564)	1 751 270
Fair value gain/ (loss) on investment property		858 334 824	806 757 042	858 334 824	179 846 994
Net gain / (loss) on financial assets at fair value through profit or loss		33 985 087	1 518 021	23 512 029	338 406
Net foreign exchange gain		98 048 500	67 880 801	64 991 107	7 070 553
Operating expenses		(274 712 751)	(490 778 611)	(186 216 407)	(40 488 018)
Interest expense on lease liabity		(8 022)	(2 893)	(4 776)	(645)
Profit on disposal of Available for Sale Financial Asset		11 293 749	-	10 502 205	
Share of profit/(loss)of associate		948 123	(1 708 116)	567 938	(116 050)
Profit for the year before taxation		**1 518 694 585**	**797 629 616**	**1 550 966 029**	**190 651 700**
Income tax credit		(95 101)	(24 829)	(46 510)	(5 535)
Profit for the year		**1 518 599 484**	**797 604 787**	**1 550 919 519**	**190 646 165**
Loss on net monetary position		(1 926 730 459)	(4 684 115 236)	-	-
(Loss)/profit for the period		**(408 130 974)**	**(3 886 510 449)**	**1 550 919 519**	**190 646 165**
Other comprehensive income					
Items that may be reclassified to profit and loss					
Share of profit of associate		-	104 005	-	7 066
Net fair value gain/ (loss) on financial assets at fair value through other comprehensive income		409 676 374	407 214 191	409 676 374	90 778 567
Tax relating to components of other comprehensive income		-	-		
Effects of change in functional currency on available for sale financial assets		-	166 154 658		6 714 676
Revaluation Surplus on land and buildings		290 488 928	281 353 247	290 488 928	62 720 910
Effects of change in functional currency on all asssets and liabilities		-			
Other comprehensive income for the year net of tax		**700 165 302**	**854 826 101**	**700 165 302**	**160 221 219**
Total comprehensive profit/ (loss) for the year		**292 034 328**	**(3 031 684 348)**	**2 251 084 821**	**350 867 384**
Profit for the year attributable to:					
Equity holders of the parent entity		(408 942 598)	(3 887 897 675)	1 549 776 199	190 551 919
Non-controlling interest		811 624	1 387 226	1 143 320	94 246
		(408 130 974)	**(3 886 510 449)**	**1 550 919 519**	**190 646 165**
Total comprehensive Profit/ (loss) attributable to:					
Equity holders of the parent entity		245 652 245	(3 079 529 198)	2 204 371 041	340 416 534
Non-controlling interest		46 382 083	47 844 850	46 713 780	10 450 850
Profit/(loss)		**292 034 328**	**(3 031 684 348)**	**2 251 084 821**	**350 867 384**
Profit/ (loss) per share attributable to the equity holders of the Bank during the year (expressed in ZWL cents per share)					
Basic earnings per share					
From profit/(loss) for the year attributable to equity holders (ZWL cents)		(2 177)	(59 556)	8 250	2 919

Enabling visionary **development in Zimbabwe**

Consolidated Statement of Cash Flows

FOR THE YEAR ENDED 31 DECEMBER 2020

	Note	Inflation Adjusted		Historical	
		31 Dec 2020 ZWL	**31 Dec 2019 ZWL**	**31 Dec 2020 ZWL**	**31 Dec 2019 ZWL**
Cash flow from operating activities					
Profit for the year		1 518 694 585	797 629 616	1 550 966 029	190 651 700
Adjustments for:					
Depreciation		6 432 496	15 951 356	3 265 722	1 437 785
Amortisation		203 665	930 300	114 476	68 101
Finance Cost		9 765	2 893	4 776	645
Profit on disposal of Available for Sale Assets		(11 293 749)	-	(10 502 205)	
Loss on disposal of Computer Hardware		565	-	565	
Loan impairment charge		5 174 220	(7 855 841)	2 468 564	(1 751 270)
Provisions and accruals		932 313	15 065 310	932 313	3 358 447
Net (gain) from translation of foreign currency balances		(98 048 500)	(67 880 801)	(64 991 107)	(7 070 553)
Discount on sale of Treasury Bills		39 709 946	57 664 047	23 192 085	4 022 444
Net (gain) on financial assets at fair value through profit or loss		(33 985 087)	(1 518 020)	(23 512 029)	(338 406)
Unrealised fair value (gain) on investment property		858 334 824	(151 502 705)	(858 334 824)	(179 846 994)
Share of (profit)/ loss of associate		(948 123)	1 708 116	(567 938)	116 050
		2 285 216 921	**660 194 271**	**623 036 427**	**10 647 949**
Changes in :					
Loans and advances to customers		81 143 040	1 001 679 351	(123 818 668)	(13 383 843)
Treasury bills and other financial assets		624 374 198	-	132 975 281	-
Other receivables and prepayments		(749 076 937)	84 974 531	(813 495 062)	(24 962 187)
Inventories		(216 446 561)	(993 213 764)	(185 811 619)	(14 239 069)
Deposits from customers		(59 368 424)	(696 529 759)	160 814 728	27 999 034
Other liabilities		118 360 534	(317 950 070)	166 469 508	157 123
Net cash generated/(used) in operating activities		**2 084 202 771**	**(260 845 440)**	**(39 829 402)**	**(13 780 993)**
Cash flow from investing activities					
Acquisition of property and equipment		(7 469 276)	(30 860 513)	(5 668 287)	(2 276 526)
Disposal of Available For Sale Assets		12 327 630	-	11 463 625	
Disposal of Treasury Bills			4 782 133 214	-	7 927 777
Additions of intangible assets			426 859)		(19 000)
Acquisition of financial assets at fair value through other comprehensive income		(42 106 379)	-	(22 240 650)	
Proceeds from sale of investment property		128 858	1 176 253	128 858	123 119
Acquisition of investment property		(1 391 261)	(79 310 446)	464 341	(5 598 147)
Dividents received		63 249	-	58 528	-
Net cash generated/(used) in investing activities		**(38 447 179)**	**4 672 711 649**	**(15 793 585)**	**157 223**
Cash flow from financing activities					
Payment of dividends		-	-	-	-
Repayment of foreign lines of credit		-	-	-	-
Repayment of lease liabilities		-	-		-
Proceeds from issue of bonds		288 606 976	16 687 163	288 606 976	3 720 000
Decrease in Local lines of credit and bonds		(842 537 365)	(8 164 046 516)	(175 606 255)	(44 696 625)
Repayment of bonds		(18 211 780)	(262 979 557)	(12 530 938)	(29 810 488)
Rights issue		201 289 304	12 579 516	119 104 685	500 000
Net cash generated from financing activities		**(370 852 864)**	**(8 397 759 394)**	**219 574 468**	**(70 287 113)**
Inflation effect on cash and cash equivalent		(2 194 256 968)	-	-	-
Net increase in cash and cash equivalents		(519 354 241)	(3 985 893 186)	163 951 481	(83 910 883)
Cash and cash equivalents at the beginning of the year		879 331 421	4 865 224 606	196 025 699	279 936 582
Cash and cash equivalents at end of the year		**359 977 180**	**879 331 421**	**359 977 180**	**196 025 699**

Consolidated Statement of Changes In Equity

FOR THE YEAR ENDED 31 DECEMBER 2020

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 2019	**1 818 975**	**885 670 239**	**3 622 289 743**	**(7 150 316)**	**1 066 708 686**	**17 595 218**	**-**	**(79 785 419)**	**5 507 147 126**	**176 139 634**	**5 683 286 760**
Changes in accounting policy (IFRS 16)	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**148 269**	**148 269**	**-**	**148 269**
Restated Balance as at 1 January 2019	**1 818 975**	**885 670 239**	**3 622 289 743**	**(7 150 316)**	**1 066 708 686**	**17 595 218**	**-**	**(79 637 150)**	**5 507 295 395**	**176 139 634**	**5 683 435 029**
Effects of change in functional currency	-	-	-	1 631 089 755	-	-	-	-	1 631 089 755	26 705 697	1 657 795 452
Exchange gain on financial assets at FVOCI	-	-	-	-	-	-	-	-			
(effects of changes in functional currency)	-	-	-	-	-	166 154 658	-	-	166 154 658	-	166 154 658
Revaluation of Property, Plant and Equipment	-	-	-	-	-	-	234 895 624	-	234 895 624	46 457 622	281 353 246
Rights issue awaiting allotment	-	-	12 579 516	-	-	-	-	-	12 579 516		12 579 516
Net fair value gain on financial assets at fair value	-	-	-	-	-	407 214 191	-	-	407 214 191		407 214 191
Profit for the year	-	-	-	-	-	-	-	(3 887 897 676))	(3 887 897 676)	1 387 228	(3 886 510 444)
Balance as at 31 December 2019	**1 818 975**	**885 670 239**	**3 634 869 259**	**1 623 939 439**	**1 066 708 686**	**590 964 067**	**234 895 624**	**(3 967 534 826))**	**4 071 331 463**	**250 690 181**	**4 322 021 644**
Profit for the period	-	-	-	-	-	-	-	(408 942 598)	(408 942 609)	811 624	(408 130 985)
Transfer from FCTR to Retained Earnings	-	-	-	-	-	-	-	-	-	-	-
on disposal of investments	-	-	-	(14 032 991)	-	-	-	14 032 991	-	-	-
Elimination of Fair Value Loss on Disposal	-	-	-	-	-	-	-	-	-	-	-
of Chengetedzai Depository Company	-	-	-	-	-	366 750	-	(366 750)	-	-	-
Transfer to NCI	-	-	-	(691 240)	-	-	-	86 984	(604 256)	604 256	-
Revaluation of Property, Plant and Equipment	-	-	-	-	-	-	244 918 470	-	244 918 470	45 570 459	290 488 929
Net fair value gain on financial assets at fair value	-	-	-	-	-	409 676 373	-	-	409 676 373	-	409 676 373
Issue of share capital	-	-	270 948 722	-	-	-	-	-	270 948 722	-	270 948 722
Allotment of shares	262 557	325 552 959	(325 815 516)	-	-	-	-	-	-	-	-
Balance as at 31 December 2020	**2 081 532**	**1 211 223 198**	**3 580 002 465**	**1 609 215 208**	**1 066 708 686**	**1 001 007 190**	**479 814 094**	**(4 362 724 199)**	**4 587 328 174**	**297 676 521**	**4 885 004 695**

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 2019	**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 FVOC	-	-	-	-	-	-	-	-	-	-	-
I (effects of changes in functional currency)	-	-	-	-	-	6 714 676	-	-	6 714 676	-	6 714 676
Revaluation of Property, Plant 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**	**627 229 611**
Profit for the period	-	-	-	-	-	-	-	1 549 776 199	1 549 776 199	1 143 320	1 550 919 519
Transfer from FCTR to Retained Earnings	-	-	-	-	-	-	-	-	-	-	-
on disposal of investments	-	-	-	(13 049 462)	-	-	-	13 049 462	-	-	-
Elimination of Fair Value Loss on Disposal	-	-	-	-	-	-	-	-	-	-	-
of Chengetedzai Depository Company	-	-	-	-	-	341 045	-	(341 045)	-	-	-
Transfer to NCI	-	-	-	(642 795)	-	-	-	80 887	(561 908)	561 908	
Revaluation of Property, Plant and Equipment	-	-	-	-	-	-	244 918 469	-	244 918 469	45 570 459	290 488 929
Net fair value gain on financial assets at fair value	-	-	-	-	-	409 676 374	-	-	409 676 374	-	409 676 374
Issue of share capital	-	-	121 604 685	-	-	-	-	-	121 604 685	-	121 604 685
Allotment of shares	122 567	151 982 118	(152 104 685)	-	-	-	-	-	-	-	-
Balance as at 31 December 2020	**187 848**	**183 767 850**	**100 000 000**	**51 967 059**	**38 283 003**	**508 142 136**	**297 282 774**	**1 750 287 060**	**2 929 917 730**	**70 001 386**	**2 999 919 116**

SIGNIFICANT ACCOUNTING POLICIES
FOR THE YEAR ENDED 31 DECEMBER 2020

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 17 March 2021.

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 2020 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).

The financial results were prepared based on statutory records that are maintained under the historical cost basis and adjusted for the effects of applying IAS 29 "Financial Reporting in Hyperinflationary Economies". The financial statements are presented in Zimbabwe Dollars (ZWL), which is the functional currency of the Group

Impact of inflation of financial reporting

The Bank commenced applying International Accounting Standard 29 "Financial Reporting in HyperInflationary Economies with effect from 01 July 2019 in line with pronouncement 01/2019 issued by The Public Accountants and Auditors Board.

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 2020.

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. An impairment loss is recognised in profit or loss if the restated amount of a non-monetary item exceeds its estimated recoverable amount.

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.

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

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 31 December 2020

Indices and Conversion factors	Indices	Movement CPI	Conversion Factors	Movement Conversion Factor
CPI as at 31 December 2020	2,474.50	1,922.87	1.00	3.49
CPI as at 31 December 2019	551.63	462.82	4.49	23.38
CPI as at 31 December 2018	88.81		27.86	

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;

SIGNIFICANT ACCOUNTING POLICIES (continued)
FOR THE YEAR ENDED 31 DECEMBER 2020

2 SIGNIFICANT ACCOUNTING POLICIES (continued)
2.1.1 Consolidation (continued)

Impairment of assets;
Useful lives of assets;
Income taxes;
Allowances for credit losses;
Employee benefits accruals and provisions

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

- The 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 are taken into account to assess whether an economy is hyperinflationary or not. These characteristics include, but are not limited to, the following:

o The general population prefer to keep its wealth in non-monetary assets or in a relatively stable foreign currency;
o Prices are quoted in a relatively stable foreign currency;
o 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;
o Interest rates, wages and prices are linked to a price index; and
o The cumulative inflation rate over three years is approaching, or exceeds, 100%.

Management exercises judgment as to when a restatement of the financial statements of a Group entity becomes necessary.

2.1.2 Application of new and revised International Financial Reporting Standards (IFRSs)
New and revised IFRSs mandatorily effective at the end of the reporting period

The accounting policies applied in the financial statements are consistent with prior years with the exception of those amended by the following accounting Standards:

Amendment	Change	Impact	Effective Date
Amendments to References to Conceptual Framework in IFRS	New 'bundles of rights' approach to assets	The old recognition thresholds are gone – a liability will be recognised if a company has no practical ability to avoid it. This may bring some liabilities on the balance sheet earlier than at present.	01 January 2020
	New 'practical ability' approach for recognising liabilities	A company will take an asset off balance sheet when it loses control over all or part of it – i.e. the focus is no longer on the transfer of risks and rewards.	
	New control-based approach to derecognition		
Definition of a Business (Amendments to IFRS 3)	Classification and narrowing of a definition of a business.	This may result in an asset acquisition of substantially all of the fair value of the gross assets is concentrated in a single identifiable asset or a group of similar identifiable assets.	01 January 2020
	Election to us concentration test	Narrowing the definition could result in fewer business combinations being recognised than before.	
		The amendments may require a complex assessment to decide whether a transaction is a business combination or an asset acquisition	
Definition of Material (Amendments to IAS 1 and IAS 8)	IASB redefined the concept of materiality to align IFRS with framework. "Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose	Preparers of financial statements can apply it appropriately.	01 January 2020
		Replacing the existing requirement in IAS 1 to disclose significant accounting policies with a requirement to disclose material accounting policies to clarify the threshold for disclosing information;	
	financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity."	Clarifying that accounting policies related to immaterial transactions, other events or transactions are themselves immaterial and as such need not be disclosed; and	
	Removed the definition of material omissions or misstatements from IAS 8 Accounting Policies,Changes in Accounting Estimates and Errors.	Clarifying that not all accounting policies that relate to material transactions, other events or conditions are themselves material to an entity's financial statements	

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.

SIGNIFICANT ACCOUNTING POLICIES (continued)
FOR THE YEAR ENDED 31 DECEMBER 2020

2 SIGNIFICANT ACCOUNTING POLICIES (continued)
2.3 Consolidation (continued)
(a) Subsidiaries (continued)

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to on or more of the three elements of control listed above.

When the Group has less that 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 values 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 and 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, and its share of post acquisition movements in other comprehensive income is recognised in other 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.

SIGNIFICANT ACCOUNTING POLICIES (continued)
FOR THE YEAR ENDED 31 DECEMBER 2020

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

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 amounts 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
The Bank classified all of its financial assets based on the business model for managing the assets and the asset's contractual terms, measured at either:
- Amortised cost,
- 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.

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
- 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
- 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).
- 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 the Solely 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.

SIGNIFICANT ACCOUNTING POLICIES (continued)

FOR THE YEAR ENDED 31 DECEMBER 2020

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

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.
- 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;
- 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 wh ereby 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.

SIGNIFICANT ACCOUNTING POLICIES (continued)

FOR THE YEAR ENDED 31 DECEMBER 2020

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

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 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 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 ECL s 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 undr awn 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;
- 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.

SIGNIFICANT ACCOUNTING POLICIES (continued)
FOR THE YEAR ENDED 31 DECEMBER 2020

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

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 amountof 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

SIGNIFICANT ACCOUNTING POLICIES (continued)
2.17 Investment property (continued)

– 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.

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.

SIGNIFICANT ACCOUNTING POLICIES (continued)
FOR THE YEAR ENDED 31 DECEMBER 2020

2.26.1 Recognition of interest income
The effective interest rate method
Under both 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 costof 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.

2.26.6 Property sales
Gross profit arising from the sale of property is recognised on legal completion of the sale that is the point at which the purchase price for the property is paid and the transfer documents are dated.

2.27 Employee benefits
2.27.1 Pension scheme
The Group subscribes to two defined contribution pension plans; one is the Infrastructure Development Bank of Zimbabwe's group pension scheme and the other plan is the National Social Security Authority Scheme covering substantially all of its employees, A defined contribution plan, is a plan under which the Group pays fixed contributions into a separate entity and has no legal or constructive obligation to pay further contributions should the fund at any time not hold sufficient assets to pay all employees the benefits relating to their service in the current and prior periods. The Group's obligations for contributions to these scheme is recognised as an expense in the statement of comprehensive income as they are incurred.

2.27.2 Termination benefits
Termination benefits are recognised as an expense when the Group is demonstrably committed, without realistic possibility of withdrawal, to a formal detailed plan to either terminate employment before the normal retirement date, or to provide termination benefits as a result of an offer made to encourage voluntary redundancy. Termination benefits for voluntary redundancies are recognised as an expense if the Group has made an offer encouraging voluntary redundancy, it is probable that the offer will be accepted, and the number of acceptances can be estimated reliably. Benefits falling due more than 12 months after the end of the reporting period are discounted to their present value.

2.27.3 Short term employee benefits
Short term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognised for the amount expected to be paid under short term cash bonus or profit sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

2.28 Earnings per share
The Group presents basic and diluted earnings per share ("EPS") data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Group by the weighted average number of ordinary shares outstanding during the period. The diluted EPS figure is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of outstanding shares for the effects of all potentially dilutive ordinary shares.

2.29 Dividend distribution
Dividend distribution to the Group's shareholders is recognised as a liability in the period in which the dividends are declared by the Bank's directors.

2.30 Fiduciary activities
The Group manages, on behalf of the Ministry of Finance and Economic Development, loan (and collection thereof) and fiscal funding disbursements to implementing agencies for infrastructure projects.

The assets and income arising thereon are excluded from these consolidated financial statements as they are not assets of the Group.

2.31 Critical accounting estimates and key sources of estimation uncertainty
The Group's financial position and its financial results are influenced by assumptions, estimates and management judgment, which necessarily have to be made in the course of the preparation of the financial statements.

The Group makes estimates and assumptions concerning the future. The resulting estimates will, by definition seldom equal the related actual results. The estimates and assumptions that have a significant risk of carrying a material adjustment to the carrying amount of assets and liabilities within the next financial year addressed below:

2.31.1 Impairment on loans and advances
(a) Determination of impairment allowance
The measurement of the expected credit loss allowance is an area of significant judgement. The process requires the interaction of complex LGD, EAD and PD models requires as well as the use of human judgement about future economic conditions and credit behaviour (e.g. the likelihood of customers defaulting and the resulting losses). Explanation of the inputs, assumptions and estimation

SIGNIFICANT ACCOUNTING POLICIES (continued)
2.31.1 Impairment on loans and advances (continued)
(a) Determination of impairment allowance (continued)

techniques used in measuring ECL is further detailed in note 2.9. A number of significant judgements are also required in applying the accounting requirements for measuring ECL, such as:
- Determining criteria for significant increase in credit risk;
- Choosing appropriate models and assumptions for the measurement of ECL;
- Establishing the number and relative weightings of forward-looking scenarios for each type of product/market and the associated ECL; and
- Determining criteria for default;

(b) Significant increase in credit risk
The Bank defines significant increase in credit risk as a significant increase in the probability of a default occurring since initial recognition. Credit risk would have increased significantly when contractual payments are more than 30 days past due. All accounts with significant material impact are placed on watch list from 15 days past due. This increase in credit risk is determined, on a continuous basis. In this case, the Bank performs the assessment on appropriate groups or portions of a portfolio of financial instruments. The Bank applies a rebuttable presumption that the credit risk has increased significantly when contractual payments are more than 30 days past due.

(c) Default
According to the Bank's policies, default arises when an obligor/ borrower fails to meet debt service obligations within 90 days of commitment either owing to lack of capacity or unwillingness to pay. This mirrors the 90 days past due rebuttable presumption contained in the Standard.

2.31.2 Key sources of estimation uncertainty
Impairment of financial assets at fair value through other comprehensive income
This note relates to other financial assets other than debt instruments at fair value through other comprehensive income. The Group determines that financial assets at FVTOCI are impaired when there is a significant or prolonged decline in the fair value below its costs. This determination of what is significant or prolonged requires judgment. In making this judgment, the Group evaluates among other factors, the normal volatility in share price. In addition, impairment may be appropriate when there is evidence of deterioration in the financial health of the investee, industry and sector performance, changes in technology and operational and financing cash flows.

2.31.3 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.

2.31.4 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 recognised 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 undetaken 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 maximse 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 specifi peculiarities.

Gross Replacement Costs
In comptuing 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 2020 for the investment properties and land and buildings.

2.31.5 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 38.

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.

SIGNIFICANT ACCOUNTING POLICIES (continued)
FOR THE YEAR ENDED 31 DECEMBER 2020

3 RISK MANAGEMENT (continued)
3.2 Credit risk (continued)

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

	Inflation adjusted		Historical	
	Maximum Exposure 31 Dec 2020 ZWL	Maximum Exposure 31 Dec 2019 ZWL	Maximum Exposure 31 Dec 2020 ZWL	Maximum Exposure 31 Dec 2019 ZWL
Cash and bank balances	359 977 180	879 331 421	359 977 180	196 025 699
Treasury bills and other financial assets	7 996 488	632 370 685	7 996 488	140 971 769
Gross loans and advances to customers	185 262 214	270 692 438	185 262 214	60 344 341
Assets pledged as collateral	69 396 000	181 830 703	69 396 000	40 534 763
Other receivables and prepayments	905 291 332	156 214 396	847 113 255	33 618 193
	1 527 923 214	2 120 439 643	1 469 745 137	471 494 765
Credit risk exposure relating to off-balance sheet assets are as follows:				
Loan commitments and guarantees	35 191 126	48 331 969	35 191 126	10 774 445
Maximum exposure to credit risk	**1 563 114 340**	**2 168 771 612**	**1 504 936 263**	**482 269 210**

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	
	31 Dec 2020 ZWL	31 Dec 2019 ZWL	31 Dec 2020 ZWL	31 Dec 2019 ZWL
Loans and advances (including assets pledged as collateral) are summarised as follows:				
Stage 1	180 902 461	249 419 536	180 902 461	55 602 061
Stage 2	537 947	6 440 680	537 947	1 435 794
Stage 3	3 821 806	14 832 222	3 821 806	3 306 486
Gross	**185 262 214**	**270 692 438**	**185 262 214**	**60 344 341**
Less: allowance for impairment	(2 644 445)	(6 931 629)	(2 644 445)	(1 545 240)
Net	**182 617 769**	**263 760 809**	**182 617 769**	**58 799 101**

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 2020	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 ZW
Assets						
Cash and bank balances	359 977 180	-	-	-	-	359 977 180
Investment securities	24 176 246	-	-	-	-	24 176 246
Financial assets at fair value through other comprehensive income	-	-	-	-	539 924 240	539 924 240
Treasury Bills and other financial assets	-	-	-	-	7 996 488	7 996 488
Loans and advances to customers	27 361 446	20 126 903	-	90 617 048	44 512 372	182 617 769
Assets pledged as collateral	-	-	-	-	69 396 000	69 396 000
Total	**411 514 872**	**20 126 903**	**-**	**90 617 048**	**661 829 100**	**1 184 087 923**
Liabilities						
Deposits from customers	81 906 930	33 213 239	240 183	-	108 620 181	223 980 533
Bonds	1 586 071	-	3 778 018	2 191 946	289 991 765	297 547 800
Local Lines of Credit	40 670 589	-	-	-	-	40 670 589
Other liabilities	-	-	-	180 257 193	-	180 257 193
Lease Liability	-	-	-	-	6 225 786	6 225 786
Total	**124 163 590**	**33 213 239**	**4 018 201**	**182 401 238**	**404 837 732**	**748 634 000**
Gap	**287 351 282**	**(13 086 336)**	**(4 018 201)**	**(91 784 190)**	**256 991 368**	**435 453 923**
Contingent liabilities:						
Loan commitments and guarantees	(35 191 126)	-	-	-	-	(35 191 126)
Total gap	**252 160 156**	**(13 086 336)**	**(4 018 201)**	**(91 784 190)**	**256 991 368**	**400 262 797**
Total cumulative gap	**252 160 156**	**239 073 820**	**235 055 619**	**143 271 428**	**400 262 797**	**-**

SIGNIFICANT ACCOUNTING POLICIES (continued)
FOR THE YEAR ENDED 31 DECEMBER 2020

3 RISK MANAGEMENT (continued)
3.3 Liquidity risk (continued)

Historical

As at 31 December 2020	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	359 977 180	-	-	-	-	359 977 180
Investment securities	24 176 246	-	-	-	-	24 176 246
Financial assets at fair value through other comprehensive income	-	-	-	-	539 924 240	539 924 240
Treasury Bills and other financial assets	-	-	-	-	7 996 488	7 996 488
Loans and advances to customers	27 361 446	20 126 903	-	90 617 048	44 512 372	182 617 769
Assets pledged as collateral	-	-	-	-	69 396 000	69 396 000
Total	**411 514 872**	**20 126 903**	**-**	**90 617 048**	**661 829 100**	**1 184 087 923**
Liabilities						
Deposits from customers	81 906 930	33 213 239	240 183	-	108 620 181	223 980 533
Bonds	1 586 071	-	3 778 018	2 191 946	289 991 765	297 547 800
Local Lines of Credit	40 670 589					40 670 589
Other liabilities	-	-	-	180 209 292		180 209 292
Lease Liability	-	-	-		6 225 786	6 225 786
Total	**124 163 590**	**33 213 239**	**4 018 201**	**182 449 139**	**404 837 732**	**748 681 901**
Gap	**287 351 282**	**(13 086 336)**	**(4 018 201)**	**(91 832 091)**	**256 991 368**	**435 406 022**
Contingent liabilities:						
Loan commitments and guarantees	(35 191 126)	-	-	-	-	(35 191 126)
Total gap	**252 160 156**	**(13 086 336)**	**(4 018 201)**	**(91 832 091)**	**256 991 368**	**400 214 896**
Total cumulative gap	**252 160 156**	**239 073 820**	**235 055 620**	**143 223 529**	**400 214 896**	**-**

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	879 331 421	-	-	-	-	879 331 421
Investment securities	2 979 543	-	-	-	-	2 979 543
Financial assets at fair value through other comprehensive income	-	-	-	-	488 811 141	488 811 141
Treasury Bills and other financial assets	-	-	8 971 588	-	623 399 097	632 370 685
Loans and advances to customers	13 042 450	3 523 950	-	26 597 047	220 597 362	263 760 809
Assets pledged as collateral	-	-	-	-	-	-
Total	**895 353 414**	**3 523 950**	**8 971588**	**26 597 047**	**1 514 638 303**	**2 449 084 302**
Liabilities						
Deposits from customers	263 641 512	11 150 083	968 626	7 588 736	-	283 348 957
Bonds	9 254 730	12 921 216	19 751 043	12 636 244	41 754 719	96 317 952
Local Lines of Credit	1 084 437 802	-	-	-	-	1 084 437 802
Other liabilities	-	-	-	61 848 758		61 848 758
Lease Liability					8 006 808	8 006 808
Total	**1 357 334 044**	**24 071 299**	**20 719 669**	**82 073 738**	**49 761 527**	**1 533 960 277**
Gap	**(461 980 630)**	**(20 547 349)**	**(11 748 081)**	**(55 476 690)**	**1 464 876 776**	**915 124 025**
Contingent liabilities:						
Loan commitments	(48 331 974)	-	-	-	-	(48 331 974)
Guarantees	-	-	-	-	-	
Total gap	**(510 312 604)**	**(20 547 349)**	**(11 748 081)**	**(55 476 690)**	**1 464 876 776**	**866 792 051**
Total cumulative gap	**(510 312 604)**	**(530 859 953)**	**(542 608 034)**	**(598 084 725)**	**866 792 051**	

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	-	138 971 769	140 971 769
Loans and advances to customers	2 907 499	785 580	-	5 929 169	49 176 853	58 799 101
Assets pledged as collateral					40 534 763	40 534 763
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	2 816 946 -	9 308 206	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**	**18 296 356**	**11 093 130**	**341 959 388**
Gap	**(102 987 422)**	**(4 580 535)**	**(2 618 950)**	**(12 367 187)**	**326 558 891**	**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)**	**326 558 891**	**193 230 351**
Total cumulative gap	**(113 761 868)**	**(118 342 403)**	**(120 961 353)**	**(133 328 540)**	**193 230 351**	**-**

SIGNIFICANT ACCOUNTING POLICIES (continued)

FOR THE YEAR ENDED 31 DECEMBER 2020

		Inflation adjusted		Historical	
		31 Dec 2020	31 Dec 2019	31 Dec 2020	31 Dec 2019
4	**CASH AND BANK BALANCES**	ZWL	ZWL	ZWL	ZWL
	Cash on hand	46 485 269	2 239 879	46 485 269	499 327
	Balances with banks	313 491 911	877 091 542	313 491 911	195 526 372
		359 977 180	**879 331 421**	**359 977 180**	**196 025 699**
	Balances with banks				
	Balance with the Central Bank	88 824 958	81 107 294	88 824 958	18 080 912
	Bank Deposits	220 121 092	40 075 074	220 121 092	8 933 770
	Placements with other banks	4 545 861	755 909 174	4 545 861	168 511 690
	Net Placements due	**313 491 911**	**877 091 542**	**313 491 911**	**195 526 372**

		Inflation adjusted		Historical	
5	**INVESTMENT SECURITIES**	31 Dec 2020	31 Dec 2019	31 Dec 2020	31 Dec 2019
		ZWL	ZWL	ZWL	ZWL
	At 1 January	2 979 543	8 750 744	664 217	314 054
	Additions	-	61 482		11 757
	Net gain through profit or loss	33 985 087	1 518 020	23 512 029	338 406
	Loss on net monetary position	(12 788 384)	(7 350 703)	-	-
	At 31 December	**24 176 246**	**(7 350 703)**	**24 176 246**	**664 217**

Changes in fair value of investment securities are presented as non-cash adjustments to cash flows from operating activities in the statement of cash flows. Changes in fair values of investment securities are recorded in statement of profit or loss and other comprehensive income. The fair value of all equity securities is based on their current bid prices in an active market, the Zimbabwe Stock Exchange ("ZSE").

		Inflation adjusted		Historical	
		31 Dec 2020	31 Dec 2019	31 Dec 2020	31 Dec 2019
6	**FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME**	ZWL	ZWL	ZWL	ZWL Restated
	At 1 January	488 811 141	196 804 344	108 968 636	7 063 092
	Additions	42 106 379	84 009 279	22 240 650	4 412 301
	Disposals	(1 033 881)		(961 420)	
	Change in functional currency as at 21 February	-	166 154 670	-	6 714 676
	Net fair value gains on financial assets at fair value through other comprehensive income	409 676 374	407 214 191	409 676 374	90 778 567
	Loss on net monetary position	(399 635 773)	(365 371 343)	-	-
	At 31 December	**539 924 240**	**488 811 141**	**539 924 240**	**108 968 636**

Financial assets at fair value through other comprehensive income include the following;

	Inflation adjusted		Historical	
	31 Dec 2020	31 Dec 2019	31 Dec 2020	31 Dec 2019
	ZWL	ZWL	ZWL	ZWL
Unlisted securities:				
Equity securities - Zimbabwe	28 173 047	31 395 826	28 173 047	6 998 941
Equity securities - Botswana	511 751 193	457 415 315	511 751 193	101 969 695
	539 924 240	**488 811 141**	**539 924 240**	**108 968 636**

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	
	31 Dec 2020	31 Dec 2019	31 Dec 2020	31 Dec 2019
	ZWL	ZWL	ZWL	ZWL
Treasury bills as substitution for debt instruments	1 430 404	35 215 697	1 430 404	7 850 489
Capitalisation Treasury Bills	570 034	563 741 220	570 034	125 672 487
Treasury bills acquired from the market	-	20 186 085	-	4 500 000
Accrued Interest	5 996 050	13 227 683	5 996 050	2 948 793
	7 996 488	**632 370 685**	**7 996 488**	**140 971 769**

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.

7.1 Assets pledged as collateral

The nature and carrying amounts of the assets pledged as collateral are as follows:

	Assets		Related Liability	
	Inflation adjusted		Inflation adjusted	
	31 Dec 2020	31 Dec 2019	31 Dec 2020	31 Dec 2019
	ZWL	ZWL	ZWL	ZWL
Treasury bills	69 396 000	181 830 703	78 672 056	626 776 079
Current	**69 396 000**	**181 830 703**	**78 672 056**	**626 776 079**

Assets pledged as collateral are financial assets purchased or acquired which are subsequently pledged as collateral for fixed deposits and bankers acceptances from other financial institutions.

		Inflation Adjusted		Historical	
		31 Dec 2020	31 Dec 2019	31 Dec 2020	31 Dec 2019
8	**LOANS AND ADVANCES TO CUSTOMERS**	ZWL	ZWL	ZWL	ZWL
	Individual				
	- term loans and mortgages	159 496 255	50 347 007	159 496 255	11 223 649
	Corporate				
	- corporate customers	25 765 959	220 345 431	25 765 959	49 120 692
	Gross loans and advances to customers	185 262 214	270 692 438	185 262 214	60 344 341
	Less: allowance for impairment (Note 9.1.2)	(2 644 445)	(6 931 629)	(2 644 445)	(1 545 240)
	Net loans and advances to customers	**182 617 769**	**263 760 809**	**182 617 769**	**58 799 101**
	Current	138 105 398	43 163 447	138 105 398	9 622 248
	Non-current	44 512 371	220 597 362	44 512 371	49 176 853
		182 617 769	**263 760 809**	**182 617 769**	**58 799 101**

SIGNIFICANT ACCOUNTING POLICIES (continued)

FOR THE YEAR ENDED 31 DECEMBER 2020

8 LOANS AND ADVANCES TO CUSTOMERS (continued)

		Inflation Adjusted		Historical	
		31 Dec 2020	31 Dec 2019	31 Dec 2020	31 Dec 2019
		ZWL	ZWL	ZWL	ZWL
8.1	**Loan impairment charge**				
	Stage 1 - 12 Month Expected Credit Loss Allowance charge	70 630	2 475 769	70 630	551 913
	Stage 2 - Lifetime Expected Credit loss Allowance not credit impaired	-	18 063	-	4 027
	Stage 3 - Lifetime Expected Credit Loss Allowance credit impaired	2 573 815	4 437 797	2 573 815	989 300
	Net loan impairment loss	**2 644 445**	**6 931 629**	**2 644 445**	**1 545 240**

8.1.1 Maturity analysis of loans and advances to customers

	Inflation Adjusted		Historical	
	31 Dec 2020	31 Dec 2019	31 Dec 2020	31 Dec 2019
	ZWL	ZWL	ZWL	ZWL
Up to one month	27 361 446	13 042 450	27 361 446	2 907 499
Up to three months	20 126 903	3 523 950	20 126 903	785 580
Up to one year	90 617 048	26 597 047	90 617 048	5 929 169
Up to 3 years	32 674 194	29 635 779	32 674 194	6 606 581
Up to 5 years	440 167	4 533 795	440 167	1 010 700
Later than 5 years	11 398 011	186 427 788	11 398 011	41 559 572
	182 617 769	**263 760 809**	**182 617 769**	**58 799 101**

Inflation Adjusted

8.1.2 Analysis of ECL in relation to loans and advances as at 31 December 2020

	Stage1	Stage 2	Stage 3	Total
Loans and advances subject to Stage 1:12 month ECL	180 902 461	-	-	180 902 461
Loans and advances subject to Stage 2: Life ECL not credit impaired	-	537 947	-	537 947
Loans and advances subject to Stage 3: Life ECL credit impaired	-	-	3 821 806	3 821 806
Gross loans and advances	180 902 461	537 947	3 821 806	185 262 214
Less Impairment allowances				
Stage 1:12 month ECL	(70 630)	-	-	(70 630)
Stage 2:Life ECL not credit impaired	-	-	-	-
Stage 3:Life ECL credit impaired	-	-	(2 573 815)	(2 573 815)
Net Loans and advances to client	**180 831 831**	**537 947**	**1 247 991**	**182 617 769**

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

	Stage1	Stage 2	Stage 3	Total
Loans and advances subject to Stage 1:12 month ECL	249 419 538	-	-	249419538
Loans and advances subject to Stage 2: Life ECL not credit impaired	-	6 440 679	-	6440679
Loans and advances subject to Stage 3: Life ECL credit impaired	-	-	14 832 220	14832220
Gross loans and advances	**249 419 538**	**6 440 679**	**14 832 220**	**270 692 438**
Less Impairment allowances				
Stage 1:12 month ECL	(2 475 769)	-	-	(2 475 769)
Stage 2:Life ECL not credit impaired	-	(18 063)	-	(18 063)
Stage 3:Life ECL credit impaired	-	-	(4 437 797)	(4 437 797)
Net Loans and advances to client	**246 943 769**	**6 422 617**	**10 394 423**	**263 760 809**

8.1.2 Analysis of ECL in relation to loans and advances as at 31 December 2020

	Stage1	Stage 2	Stage 3	Total
Loans and advances subject to Stage 1:12 month ECL	180 902 461	-	-	180 902 461
Loans and advances subject to Stage 2: Life ECL not credit impaired	-	537 947	-	537 947
Loans and advances subject to Stage 3: Life ECL credit impaired	-	-	3 821 806	3 821 806
Gross loans and advances	180 902 461	537 947	3 821 806	185 262 214
Less Impairment allowances				
Stage 1:12 month ECL	(70 630)	-	-	(70 630)
Stage 2:Life ECL not credit impaired	-	-	-	-
Stage 3:Life ECL credit impaired	-	-	(2 573 815)	(2 573 815)
Net Loans and advances to client	**180 831 831**	**537 947**	**1 247 991**	**182 617 769**

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

SIGNIFICANT ACCOUNTING POLICIES (continued)

FOR THE YEAR ENDED 31 DECEMBER 2020

8.1.3 Sectorial analysis of loans and advances to customers

	Inflation adjusted				Historical			
	Percentage (%)	31 Dec 2020 ZWL	Percentage (%)	31 Dec 2019 ZWL	Percentage (%)	31 Dec 2020 ZWL	Percentage (%)	31 Dec 2019 ZWL
Manufacturing	0%	475 868	3%	9 324 244	0%	475 868	3%	2 078 615
Retail	0%	25 000	0%	234 248	0%	25 000	0%	52 220
Agro processing	3%	5 799 399	12%	33 717 601	3%	5 799 399	12%	7 516 525
Financial Services	0%	35 629	5%	13 686 545	0%	35 629	5%	3 051 085
Transport	0%	-	1%	2 401 364	0%	-	1%	535 326
Construction	1%	1 893 149	1%	3 426 706	1%	1 893 149	1%	763 901
Energy	4%	7 812 851	0%	-	4%	7 812 851	0%	-
Mortgages	82%	151 497 673	8%	20 312 592	82%	151 497 673	8%	4 528 202
Individuals and other services	10%	17 722 645	70%	187 589 138	10%	17 722 645	70%	41 818 467
Gross value of loans and advances	**100%**	**185 262 214**	**100%**	**270 692 438**	**100%**	**185 262 214**	**100%**	**60 344 341**
Less allowance for impairment		(2 644 445)		(6 931 629)		(2 644 445)		(1 545 240)
		182 617 769		**263 760 809**		**182 617 769**		**58 799 101**

	Inflation adjusted		Historical	
	31 Dec 2020	31 Dec 2019	31 Dec 2020	31 Dec 2019
9 OTHER RECEIVABLES AND PREPAYMENTS	ZWL	ZWL	ZWL	ZWL
Receivables	819 767 391	113 581 456	819 767 391	25 320 241
Impairment Loss	(1 585 230)	(887 988)	(1 585 230)	(197 956)
Net receivables	**818 182 161**	**112 693 468**	**818 182 161**	**25 122 285**
Pre-payments	87 109 171	43 520 928	28 931 094	8 495 908
	905 291 332	**156 214 396**	**847 113 255**	**33 618 193**
10 INVENTORIES				
Inventory - housing units	8 448 401	8 448 401	1 651 927	325 032
Inventory - serviced stands	740 433 735	740 433 736	16 769 444	28 472 549
Work in progress	1 116 971 669	903 252 417	238 755 787	44 161 769
Consumables and materials	5 773 087	3 045 776	2 184 107	590 299
	1 871 626 892	**1 655 180 329**	**259 361 265**	**73 549 649**

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

11 INVESTMENT PROPERTY	ZWL	ZWL	ZWL	ZWL
Balance as at 1 January	1 013 834 900	441 083 436	226 010 000	15 830 000
Additions during the year	1 391 258	84 020 532	464 341	7 672 719
Disposals for the year	(1 485 489)	(1 591 606)	(218 511)	(253 163)
Reclassification of Elizabeth Park Stands to Work In Progress	(15 100 000)	-	(15 100 000)	-
Foreign Currency Translation Adjustment on change in functional currency at 21 February 2019	-	343 529 915	-	23 963 450
Net fair value on Investment Property	70 849 985	151 502 703	858 334 824	179 846 994
Loss on monetory value	(787 484 839)	(655 254 338)	-	-
Net gain/(loss) from fair value adjustment	858 334 824	806 757 041	858 334 824	179 846 994
Reclassification of BSAC previously recognised as Investment Property	-	(4 710 080)	-	(1 050 000)
Balance as at 31 December	**1 069 490 654**	**1 013 834 900**	**1 069 490 654**	**226 010 000**
Analysis by nature				
Residential Properties	205 006 292	246 404 809	205 006 292	54 930 000
Commercial and industrial properties	864 484 362	767 430 091	864 484 362	171 080 000
	1 069 490 654	**1 013 834 900**	**1 069 490 654**	**226 010 000**

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	**22 597 326**	**8 784 548**	**16 022 727**	**822 265**

SIGNIFICANT ACCOUNTING POLICIES (continued)

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12 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 2019	194 248 619	50 202 679	41 148 513	29 012 374	39 009 279	353 621 464
Additions	753 369	27 202 854	-	2 904 290	-	30 860 513
Foreign Currency Translation	125 672 317	12 415 944	13 843 725	8 310 292	18 492 896	178 735 174
Revaluation gains	277 923 166	-	-	-	-	277 923 166
Disposals	(249 781 929)	(840 142)	-	-	-	(250 622 071)
At 31 December 2019	**348 815 542**	**88 981 335**	**54 992 238**	**40 226 956 -**	**57 502 175**	**590 518 246**
At 01 January 2020	**348 815 542**	**88 981 335**	**54 992 238**	**40 226 956**	**57 502 175**	**590 518 246**
Additions	60 647	7 335 283	-	73 346	-	7 469 276
Foreign Currency Translation	-	-	-	-	-	-
Revaluation gains	289 044 293	-	-	-	-	289 044 293
Loss in monetary value	(271 102 369)	-	-	-	-	(271 102 369)
Disposals	-	(2 213)	-	-	-	(2 213)
At 31 December 2020	**366 818 113**	**96 314 405**	**54 992 238 -**	**40 300 302**	**57 502 175**	**615 927 233**
ACCUMULATED DEPRECIATION AND IMPAIRMENT						
At 01 Janaury 2019	**13 728 646**	**33 521 087**	**22 370 509**	**18 013 313**	**15 046 434**	**102 679 989**
Charge for the year	3 127 130	5 931 666	4 441 850	1 911 681	-	15 412 327
Eliminated on Disposals	-	-	-	-	-	-
Eliminated on revaluation	(16 855 776)	-	-	-	-	(16 855 776)
Disposals	-	(840 142)	-	-	-	(840 142)
At 31 December 2019	**-**	**38 612 611**	**26 812 359**	**19 924 994**	**15 046 434**	**100 396 398**
At 01 Janaury 2020	**-**	**38 612,611**	**26 812 359**	**19,924 994**	**15 046 434**	**100 396 398**
Charge for the year	2 953 911	1 748 074	877 604	413 724	-	5 993 313
Eliminated on Disposals	-	-	-	-	-	-
Eliminated on revaluation	(2 953 911)	(1 647)	-	-	-	(2 955 558)
At 31 December 2020	**-**	**40 359 038**	**27 689 963**	**20 338 718**	**15 046 434**	**103 434 153**
CARRYING AMOUNT						
Cost at 31 December 2019	**348 815 542**	**88 981 335**	**54 992 238**	**40 226 956**	**57 502 175**	**590 518 246**
Accumulated depreciation at 31 December 2019	-	(38 612 611)	(26 812 359)	(19 924 994)	(15 046 434)	(100 396 398)
Carrying amount at 31 December 2019	**348 815 542**	**50 368 724**	**28 179 879**	**20 301 962**	**42 455 741**	**490 121 848**
Cost at 31 December 2020	**366 818 113**	**96 314 405**	**54 992 238**	**40 300 302**	**57 502 175**	**615 927 233**
Accumulated depreciation at 31 December 2020	-	(40 359 038)	(27 689 963)	(20 338 718)	(15 046 434)	(103 434 153)
Carrying amount at 31 December 2020	**366 818 113**	**55 955 367**	**27 302 275**	**19 961 584**	**42 455 741**	**512 493 080**

Historical PROPERTY AND EQUIPMENT	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 2019	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	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**
At 01 January 2020	**77 760 000**	**4 506 156**	**2 219 308**	**1 971 797**	**2 690 000**	**89 147 261**
Additions	13 820	5 630 446	-	24 021	-	5 668 287
Revaluation gains	289 044 293	-	-	-	-	289 044 293
Disposals	-	(2 213)	-	-	-	(2 213)
At 31 December 2020	**366 818 113**	**10 134 389**	**2 219 308**	**1 995 818**	**2 690 000**	**383 857628**
ACCUMULATED DEPRECIATION AND IMPAIRMENT						
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)
Disposals	-	-	-	-	-	-
At 31 December 2019	**-**	**1 710 485**	**965 976**	**812 690**	**540 000**	**4 029 151**
At 01 Janaury 2020	**-**	**1 710 485**	**965 976**	**812 690**	**540 000**	**4 029 151**
Charge for the year	1 444 636	932 146	429 200	204 699	-	3 010 681
Eliminated on Disposals	-	(1 647)	-	-	-	(1 647)
Eliminated on revaluation	(1 444 636)	-	-	-		(1 444 636)
At 31 December 2020	**-**	**2 640 984**	**1 395 176**	**1 017 389**	**540 000**	**5 593 549**
CARRYING AMOUNT						
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**
Cost at 31 December 2020	**366 818 113**	**10 134 389**	**2 219 308**	**1 995 818**	**2 690 000**	**383 857 628**
Accumulated depreciation at 31 December 2020	-	(2 640 984)	(1 395 176)	(1 017 389)	(540 000)	(5 593 549)
Carrying amount at 31 December 2020	**366 818 113**	**7 493 405**	**824 132**	**978 429**	**2 150 000**	**378 264 079**

SIGNIFICANT ACCOUNTING POLICIES (continued)
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13 RIGHTS OF USE ASSETS

	Inflation adjusted		Historical	
	31 Dec 2020	31 Dec 2019'	31 Dec 2020	31 Dec 2019
Cost	**ZWL**	**ZWL**	**ZWL**	**ZWL**
At 01 January	8 277 474	15 724 943	1 957 211	564 351
Additions/ adjustments	5 188 434	(6 898 629)	5 188 435	1 392 860
Balance	**13 465 908**	**8 826 314**	**7 145 646**	**1 957 211**
Accumulated Depreciation				
At 01 January	548 840	404 394	111 948	14 513
Charge for the year	255 041	144 446	255 041	97 435
Balance	**803 881**	**548 840**	**366 989**	**111 948**
Loss on monetory value	(5 883 370)	-	-	-
Carrying Amount				
Balance	**6 778 657**	**8 277 474**	**6 778 657**	**1 845 263**

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

14 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**	**1 818 975**	**885 670 239**	**3 622 289 743**	**4 509 778 957**
Issue of shares				12 579 516	12 579 516
At 31 December 2019	**6 528 190**	**1 818 975**	**885 670 239**	**3 634 869 259**	**4 522 358 473**
At 1 January 2019	**6 528 190**	**1 818 975**	**885 670 239**	**3 634 869 259**	**4 522 358 473**
Issue of share capital				270 948 722	270 948 722
Allotment of shares	12 256 623	262 557	325 552 959	(325 815 516)	-
At 31 December 2020	**18 784 813**	**2 081 532**	**1 211 223 198**	**3 580 002 465**	**4 793 307 195**

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 2020	**6 528 190**	**65 281**	**31 785 732**	**130 500 000**	**162 351 013**
Issue of share capital		-	-	121 604 685	121 604 685
Allotment of shares	12 256 623	122 567	151 982 118	(152 104 685)	-
At 31 December 2020	**18 784 813**	**187 848**	**183 767 850**	**100 000 000**	**283 955 698**

15 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	
	2020	2019	2020	2019
	ZWL	ZWL	ZWL	ZWL
At the beginning of the year	1 623 939 439	(7 150 316)	65 659 316	(256 617)
Charge for the year	1 631 089 755	-	65 915 933	
Transfer from FCTR to Retained Earnings on disposal of investments	(14 032 991)	-	(13 049 462)	-
Transfer to NCI	(691 240)	-	(642 795)	-
At the end of the year	**1 609 215 208**	**1 623 939 439**	**51 967 059**	**65 659 316**

	Inflation adjusted		Historical	
16 REVALUATION RESERVE	**2020**	**2019**	**2020**	**2019**
At the beginning of the year	234 895 624	-	52 364 305	-
Charge for the year	244 918 470	234 895 624	244 918 469	52 364 305
At the end of the year	**479 814 094**	**234 895 624**	**297 282 774**	**52 364 305**

	Inflation adjusted		Historical	
	2020	2019	2020	2019
17 FAIR VALUE				
At the beginning of the year	590 964 067	17 595 218	98 124 717	631 474
Charge for the year	409 676 373	573 368 849	409 676 374	97 493 243
Elimination of Fair Value Loss on Disposal of Chengetedzai Depository Company		366 750		341 045
At the end of the year	**1 001 007 190**	**590 964 067**	**508 142 136**	**98 124 717**

SIGNIFICANT ACCOUNTING POLICIES (continued)
FOR THE YEAR ENDED 31 DECEMBER 2020

18 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	1 066 708 686	1 066 708 686
Issue of shares	-	-	-
At 31 December 2019	**382 830**	**1 066 708 686**	**1 066 708 686**
At 1 January 2020	**382 830**	**1 066 708 686**	**1 066 708 686**
At 31 December 2020	**382 830**	**1 066 708 686**	**1 066 708 686**

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 2020	**382 830**	**38 283 003**	**38 283 003**
Issue of shares	**-**	**-**	**-**
At 31 June 2020	**382 830**	**38 283 003**	**38 283 003**

	Inflation adjusted		Historical	
	31 Dec 2020	31 Dec 2019	31 Dec 2020	31 Dec 2019
19 DEPOSITS FROM CUSTOMERS	ZWL	ZWL	ZWL	ZWL

Deposits from customers are primarily comprised of amounts payable on demand and term deposits.

Large corporate customers	207 649 273	267 212 210	207 649 273	59 568 507
Retail customers	16 331 260	16 136 747	16 331 260	3 597 298
	223 980 533	**283 348 957**	**223 980 533**	**63 165 805**
19.1 Maturity analysis of deposits from customers				
Up to one month	190 527 111	263 641 512	190 527 111	58 772 507
Up to three months	33 213 239	18 738 813	33 213 239	4 177 366
Above six months	240 183	968 632	240 183	215 932
	223 980 533	**283 348 957**	**223 980 533**	**63 165 805**

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.

19.2 Sectorial analysis of deposits from customers

	Inflation Adjusted				Historical			
	Percentage (%)	31 Dec 2020 ZWL	Percentage (%)	31 Dec 2019 ZWL	Percentage (%)	31 Dec 2020 ZWL	Percentage (%)	31 Dec 2019 ZWL
Financial markets	25%	56 000 000	40%	114 051 380	25%	56 000 000	40%	25 425 000
Fund managers and pension funds	7%	16 384 121	22%	62 324 410	7%	16 384 121	22%	13 893 722
Individuals	7%	16 441 585	0%	447 419	7%	16 441 585	0%	99 741
Government and public sector institutions	16%	36 132 684	28%	78 871 791	16%	36 132 684	28%	17 582 560
Other services	44%	99 022 143	10%	27 653 957	44%	99 022 143	10%	6 164 782
	100%	**223 980 533**	**100%**	**283 348 957**	**100%**	**223 980 533**	**100%**	**63 165 805**

20 LOCAL LINES OF CREDIT AND BONDS

	Inflation adjusted		Historical	
	31 Dec 2020	31 Dec 2019	31 Dec 2020	31 Dec 2019
	ZWL	ZWL	ZWL	ZWL
Bonds	297 547 800	96 317 960	297 547 800	21 471 762
Lines of credit	40 670 589	1 084 437 794	40 670 589	241 749 211
Total	**338 218 389**	**1 180 755 754**	**338 218 389**	**263 220 973**
Current	48 226 625	41 642 021	48 226 625	9 283 083
Non current	289 991 764	1 139 113 733	289 991 764	253 937 890
	338 218 389	**1 180 755 754**	**338 218 389**	**263 220 973**

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.

	Inflation adjusted		Historical	
21 NET INTEREST INCOME	**31 Dec 2020**	**31 Dec 2019**	**31 Dec 2020**	**31 Dec 2019**
	ZWL	ZWL	ZWL	ZWL
21.1 Interest and related income:				
Loans and advances to large corporates	13 461 454	64 239 259	7 103 989	7 255 273
Loans and advances to individuals	1 778 867	-	879 714	-
Treasury bills and other financials assets	16 311 901	14 997 032	8 221 077	9 431 742
Placements with local banks	440 419	135 608 140	234 100	630 741
Mortgages	5 857 921	11 039 997	3 787 111	1 873 716
Cash and bank balances	7 838 801	89 851 652	5 343 388	4 003 234
	45 689 364	**315 736 080**	**25 569 380**	**23 194 706**

	Inflation adjusted		Historical	
	31 Dec 2020	31 Dec 2019	31 Dec 2020	31 Dec 2019
	ZWL	ZWL	ZWL	ZWL
21.2 Interest and related expense:				
Bonds	(14 876 310)	(52 061 555)	(4 578 771)	(3 264 520)
Deposits from large corporates	(317 885)	(19 808 310)	(8 588 251)	(1 722 989)
Discount on sale of Treasury Bills	(39 709 946)	(57 664 050)	(23 192 085)	(4 022 444)
Deposits from individuals	(6 562 266)	(744 386)	(230 161)	(53 733)
	(61 466 407)	**(130 278 301)**	**(36 589 268)**	**(9 063 686)**

SIGNIFICANT ACCOUNTING POLICIES (continued)
FOR THE YEAR ENDED 31 DECEMBER 2020

22 EARNINGS PER SHARE

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. (2019 - ZWLnil)

The calculation of basic earnings per share at 31 December was based on the following:

	Inflation adjusted		Historical	
Basic and diluted loss per share	**31 Dec 2020 ZWL**	**31 Dec 2019 ZWL**	**31 Dec 2020 ZWL**	**31 Dec 2019 ZWL**
Profit/(Loss) attributable to equity holders	(408 942 598)	(3 887 897 675)	1 549 776 199	190 551 919
Weighted average number of issued ordinary shares	18 784 813	6 528 190	18 784 813	6 528 190
Basic profit / (loss) per share (ZWL cents)	(2 177)	(59 556)	8 250	2 919

23 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 30 June 2020, 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	
	31 Dec 2020 ZWL	**31 Dec 2019 ZWL**	**31 Dec 2020 ZWL**	**31 Dec 2019 ZWL**
Salaries and other short-term employee benefits	40 159 835	30 991 532	19 640 520	2 105 539
Post-employment benefits	1 321 897	1 154 209	646 486	78 416
Termination benefits	1 243 773	-	608 278	-
Total	**42 725 506**	**32 145 741**	**20 895 283**	**2 183 955**

c) Loans and advances to related parties

Inflation adjusted	**Directors and other key management personnel 31 Dec 2020 ZWL**	**Associated companies 31 Dec 2019 ZWL**	**Directors and other key management personnel 31 Dec 2019 ZWL**	**Associated companies 31 Dec 2019 ZWL**
Loans outstanding	4 279 529	-	9 087 659	-
Interest income earned	464 135	-	1 270 784	-

Historical	**Directors and other key management personnel 31 Dec 2020 ZWL**	**Associated companies 31 Dec 2020 ZWL**	**Directors and other key management personnel 31 Dec 2019 ZWL**	**Associated companies 31 Dec 2019 ZWL**
Loans outstanding	4 279 529	-	2 025 874	-
Interest income earned	226 989	-	86 336	-

No allowance for impairment was required in 2020 (2019: 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.

d) Deposits from related parties

Inflation adjusted	**Directors and other key management personnel 31 Dec 2020**	**Associated companies 31 Dec 2020**	**Directors and other key management personnel 31 Dec 2019**	**Associated companies 31 Dec 2019**
Deposits at 31 December	94 484	-	52 787	-
Interest expense on deposits	-	-	-	-

Historical	**Directors and other key management personnel 31 Dec 2020 ZWL**	**Associated companies 31 Dec 2020 ZWL**	**Directors and other key management personnel 31 Dec 2019 ZWL**	**Associated companies 31 Dec 2019 ZWL**
Deposits at 31 December	94 484	-	11 768	-
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 2020, the Directors did not hold directly and indirectly any shareholding in the Group.

SIGNIFICANT ACCOUNTING POLICIES (continued)
FOR THE YEAR ENDED 31 DECEMBER 2020

24 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 hyper inlfation adjusted profit of ZWL 292 million (2019: loss of ZWL 3 032 million) and a historical profit of ZWL 2 251m (2019: ZWL 351m).

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.

25 Coronavirus disease (COVID-19)

The world had been affected by the COVID-19 pandemic and Zimbabwe has not been spared. In response to this pandemic, on the 17th of March 2020 the Government of Zimbabwe declared COVID-19 a national disaster, a measure which came after the World Health Organisation (WHO) had declaredCOVID-19 an international pandemic on the 11th of March 2020. The government issued a number of directives as well as enacting the Statutory Instrument 77 of 2020 to combat the pandemic. The government on the 27th of March 2020 declared a 21 day lock down starting on the 30th of March 2020 and this lockdown was extended to 3 May 2020.

Impact on accounting policies
COVID-19 did not have any impact on the Group's accounting policies.

Business impact
In response to the pandemic, IDBZ employed a raft of measures to protect its customers and staff which include working from home, implementing proper hygienic practices, encouraging social distancing to flatten the COVID-19 curve ,conducting COVID-19 PCR on staff as well as coming up with a comprehensive Business Continuity Plan. The Group continued and will continue to provide services and operate business through dedicated staff working from home with virtual remote access to systems and applications . Our clients will continue to enjoy our service.

During and post Lockdown, the business managed to successfully continue all operations through its business continuity plan. Working from home was implemented and employees were given remote access to systems and clients are being serviced through the various digital platforms as well as the Bank's Banking Hall that remained functional.

The impact of COVID-19 during the reporting period on the Group's core business lines is as described below;

(a) During the period, the Group interest income as well as monthly repayments from loans continued as usual and hence the impact of COVID-19 on revenue and loan book performance was negligible. The Group was also able to settle claims and payments as and when they were due.

(b) The Company considered the COVID-19 impact and whether or not income and expenses can be determined on a non-arbitrary basis, in order to provide relevant and reliable information. Only income and expenses that are incremental and directly attributable to COVID-19 were considered. In this regard the following expenses were incurred;

- Consumables related to sanitizers, masks, fumigation and protective equipment of ZWL 2 693 670.55 (Historical ZWL 1 992 790.93)

(c) On the Liquidity front, the liquidity impact has not been felt since loan repayments are actually exceeding the billed amounts owing to the depreciating currency. During the period, the Bank made payments towards scheduled routine repayment requirements. The liquidity position was also boosted by capital injection from the shareholder, the Government.

(d) The Bank continued with the implementation of its ongoing projects, namely, Bulawayo Student Accommodation Complex Project, Elizabeth Park Housing Project and Sumben Housing Projects.

Going concern
The COVID-19 pandemic is unprecedented and global, and is likely to have far-reaching implications. The global markets are down significantly already and a world-wide economic downturn is on the cards and the impact already being felt in Zimbabwe.

In response, the Group has assessed and continues to regularly monitor the following additional steps in considering the impact of COVID-19 on the Group's operations. These include:

- Assessment of the potential operational disruption and the safeguarding of our assets.
- Considered legal and contractual consequences.
- Assessment of liquidity and working capital requirements to ensure cash preservation.
- Access to cash through capital raising activities which remains in place.

Risk Management and governance is being enhanced on the digital platforms that are now dominating client servicing and operational processes. The Directors have therefore 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.