

OLD MUTUAL ZIMBABWE STOCK EXCHANGE TOP TEN EXCHANGE TRADED FUND

Abridged Audited Financial Statements
For the Year Ended 31 December 2021



DO GREAT THINGS EVERY DAY

The Fund Manager's Statement of Responsibility

The Fund Manager, Old Mutual Investment Group Zimbabwe (Private) Limited (OMIG), has pleasure in presenting the financial statements of the Old Mutual Zimbabwe Stock Exchange (ZSE) Top Ten Exchange Traded Fund ("the Fund") for the year ended 31 December 2021. The Fund is an investment vehicle for various clients whose funds are pooled together.

The objective of the Fund is:

- To provide investment results that, before fees and expenses, closely correspond to the performance of ZSE Top Ten Index; and
- To provide the unit holder with a steady growth of income and capital in the medium to long term period.

Responsibility

The Fund Manager is responsible for the preparation, integrity and objectivity of financial statements, comprising the statement of financial position as at 31 December 2021, the statements of comprehensive income, cash flows, changes in net assets of unit holders and the notes to the financial statements for the year then ended, which include a summary of significant accounting policies and other explanatory notes, in accordance with International Financial Reporting Standards (IFRSs) and the requirements of the Collective Investments Schemes Act (Chapter 24:19) and the Trust Deed, that fairly present the state of affairs of the Fund at the end of each financial period.

The OMIG Board and Management set standards and Management implement systems of internal control, accounting and information systems aimed at providing reasonable assurance that assets are safeguarded, and the risk of error, fraud or loss is reduced in a cost effective manner and make appropriate accounting estimates. These controls, contained in established policies and procedures, include the proper delegation of responsibilities and authority within a clearly defined framework, effective accounting procedures and adequate segregation of duties.

Compliance with legislation

These financial statements, which have been prepared on an inflation adjusted basis, are based on the application of inflation indices on underlying accounting records which were maintained on the historical cost convention (except for fair value measurement where applicable) agree with the underlying books and records. They have been properly prepared in accordance with key accounting policies set out in note 2 and comply with the disclosure requirements of the Collective Investments Schemes Act (Chapter 24:19).

Compliance with the International Financial Reporting Standards

The financial statements are prepared in full compliance with International Financial Reporting Standards (IFRSs). IFRSs comprise interpretations adopted by the International Accounting Standards Board (IASB), which includes standards adopted by the IASB and interpretations developed by the International Financial Reporting Interpretations Committee (IFRIC) or by the former Standing Interpretations Committee (SIC). Complying with IFRSs achieves consistency with the financial reporting framework adopted by the Fund Manager's ultimate parent company, Old Mutual Limited, which is incorporated in South Africa. Using a globally recognised reporting framework also allows comparability with similar businesses and consistency in the interpretation of the financial statements.

The emergence of hyperinflation resulted in the adoption of inflation adjusted accounts prepared in terms of International Accounting Standard 29 (IAS 29) "Financial Reporting in Hyperinflationary Economies", as the primary basis of reporting.

Accordingly, the inflation adjusted financial statements represent the principal financial statements of the fund. Historical cost financial statements have been presented as supplementary information to the restated financial statements as per Pronouncement 01/2019 issued by the Public Accountants and Auditors Board on 11 October 2019.

Going concern and impact of coronavirus disease (COVID-19)

The Fund Manager has assessed the ability of the Fund to continue operating as a going concern and believe that the preparation of financial statements using the going concern assumption is still appropriate.

The significant doubt associated with current uncertainties related to the COVID-19 virus currently does not result in a material uncertainty related to events or conditions that may cast doubt on the Fund's ability to continue as a going concern.

Fund Manager's responsibilities for the financial statements

The OMIG Audit, Risk and Compliance Committee (ARCC), together with the Group Internal Audit (CIA), play an integral role in matters relating to financial and internal control, accounting policies, reporting and disclosure.

Based on the above, the Fund Manager is satisfied that no material breakdown in the operation of the systems of internal control and procedures has occurred during the period under review.

The Fund will consistently adopt appropriate and recognised International Financial Reporting Standards (IFRSs). The financial statements are based on the statutory records that are maintained under the historical cost convention except for financial assets and liabilities that are carried at fair value.

The Fund Manager has ensured that the Fund has complied with the laws and regulations in all material respects.

It is the responsibility of the independent auditors to express an opinion on the financial statements.

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Mutual Gardens
100 The Chase (West)
Emerald Hill
Harare

Postal address
Private Bag A6101
Avondale
Harare

Approval of the annual financial statements

These financial statements were prepared under the supervision of Francis Marufu, PAAB Practice Certificate number 04306. The Fund Manager's statement of responsibility and the financial statements were approved on 31 March 2022 and are signed by:

Marjorie Mayida
Fund Manager

31 March 2022

The Trustee's Report

Stanbic Investor Services Zimbabwe is the Trustee for the Old Mutual Zimbabwe Stock Exchange Top Ten Exchange Traded Fund ("the Fund") in terms of the Collective Investment Schemes Act (Chapter 24:19) and the Trust Deed.

In terms of the Trust Deed, the Trustee is a person or an entity who holds the assets of the Fund in trust for the participants. It is the duty of the Trustee to take reasonable care to ensure that the Fund is managed by the Fund Manager in accordance with the Collective Investment Schemes Act (Chapter 24:19) and the Trust Deed, in relation to the pricing of, and dealings in, units in the Fund; the application of income of the Fund; and the investments applicable to the Fund.

The Trustee is required to satisfy themselves on reasonable grounds and on a continuing basis that the Fund Manager has maintained and is maintaining sufficient financial records. The Trustee takes into their custody or under their control, all the capital property of the Trust and hold it in trust for the unit holders in accordance with the Trust Deed and, hence, the Trustee along with the Fund Manager, are responsible for taking all reasonable steps for the prevention and detection of fraud, error and non-compliance with laws and regulations.

Under the Collective Investment Schemes Act (24:19), the Trustee is required to keep accurate accounts and records. Pursuant to the Trust Deed, this duty is devolved to the Fund Manager who is required to keep, in accordance with the requirements of the law proper, books of accounts and records showing all transactions effected on behalf of the Fund and arrange for the audit and delivery of financial statements to the Trustee. The Trustee may accept and shall not be bound to verify the financial statements produced by or on behalf of the Fund Manager unless the Trustee has actual notice of any irregularity.

Conclusion

Having carried out such procedures as we consider necessary to discharge our responsibilities as the Trustee of the Fund, based on the information available to us and the explanations provided, we report that in all material aspects the Fund, acting through the Fund Manager:

- has carried out the issue, sale, redemption and cancellation, and calculation of the price of the Fund's units and the application of the Fund's income in accordance with the Collective Investments Schemes Act (Chapter 24:19) and the Trust Deed; and
- has observed the investment and restrictions of the scheme.

Trustees
Stanbic Investor Services Zimbabwe
59 Samora Machel Avenue
Harare

31 March 2022

Independent Auditor's Statement

These abridged inflation-adjusted financial statements should be read in conjunction with the complete set of the inflation-adjusted financial statements as at the end and for the year ended 31 December 2021. This is the first year of the audit hence no prior comparatives have been included, with the historical financials only being supplementary.

The financial statements have been audited by Messrs Deloitte & Touche Chartered Accountants (Zimbabwe) ("Deloitte"), who have issued an unqualified opinion. The auditor's report on the Inflation-adjusted financial statements, from which these abridged inflation-adjusted financial statements are extracted, is available for inspection at the Fund's registered office.

The opinion included a key audit matter in respect of net assets attributable to unit holders.

The engagement Partner responsible for the audit was Mrs Charity Mtwazi, PAAB Practice Certificate Number 0585.

31 March 2022



Statement of Comprehensive Income
for the year ended 31 December 2021

Note	Audited Inflation Adjusted	*Unaudited Historical
	2021 ZWL	2021 ZWL
Investment income	435 545 364	430 041 910
Dividend income	9 825 080	8 151 406
Fair value gains on equity investments	396 510 627	396 510 627
Gain from sale of shares	29 209 657	25 379 877
Operating expenses	(11 543 457)	(10 199 911)
Management fees	(2 386 137)	(1 978 802)
Trustee's fees	(420 072)	(345 642)
Audit fees	(2 269 611)	(2 269 612)
Transfer Secretary fees	(970 333)	(778 363)
Other expenses	(589 176)	(528 430)
Distribution to unit holders	(4 908 128)	(4 299 062)
Net income before monetary loss	424 001 907	419 841 999
Loss on net monetary items	(92 434 291)	-
Net income	331 567 616	419 841 999

*The historic amounts are shown as supplementary information. As a result the auditors have not expressed an opinion on the historic financial information.

Statement of Financial Position
As at 31 December 2021

Note	Audited Inflation Adjusted	*Unaudited Historical
	2021 ZWL	2021 ZWL
ASSETS		
Cash and cash equivalents	4 076 143	4 076 143
Equity investments	582 155 048	582 155 048
Accounts receivable	18 560 164	18 560 164
Total assets	604 791 355	604 791 355
LIABILITIES		
Accounts payable	4 952 778	4 952 778
Intercompany payable	1 216 942	1 216 942
Net assets attributable to unit holders	598 621 635	598 621 635
Total liabilities	604 791 355	604 791 355

*The historic amounts are shown as supplementary information. As a result the auditors have not expressed an opinion on the historic financial information.

Statement of Changes in Net Assets of Unit Holders
for the year ended 31 December 2021

Audited Inflation Adjusted	Units in issue ZWL	Undistributed income ZWL	Total ZWL
Opening net assets attributable to unit holders	-	-	-
Changes in net assets attributable to unit holders	-	331 567 616	331 567 616
Issue of units during the year	267 054 019	-	267 054 019
Closing net assets attributable to unit holders	267 054 019	331 567 616	598 621 635
*Unaudited Historical			
Opening net assets attributable to unit holders	-	-	-
Changes in net assets attributable to unit holders	-	419 841 999	419 841 999
Issue of units during the year	178 779 636	-	178 779 636
Closing net assets attributable to unit holders	178 779 636	419 841 999	598 621 635

*The historic amounts are shown as supplementary information. As a result the auditors have not expressed an opinion on the historic financial information.

Statement Of Cash Flows
for the year ended 31 December 2021

	Audited Inflation Adjusted	*Unaudited Historical
	2021 ZWL	2021 ZWL
Cash flows from operating activities		
Net income	331 567 616	419 841 999
Non-cash movements and adjustments to net income	(396 510 627)	(396 510 627)
Changes to working capital	(12 390 444)	(12 390 444)
Net cash from operating activities	(77 333 455)	10 940 928
Cash flows from investing activities		
Net purchase of investments	(185 644 421)	(185 644 421)
Net cash outflow from investing activities	(185 644 421)	(185 644 421)
Cash flows from financing activities		
Net cash inflow from purchases of units by unit holders	267 054 019	178 779 636
Net cash inflow from financing activities	267 054 019	178 779 636
Net increase in cash and cash equivalents	4 076 143	4 076 143
Cash and cash equivalents at beginning of year	-	-
Cash and cash equivalents at end of year	4 076 143	4 076 143

*The historic amounts are shown as supplementary information. As a result the auditors have not expressed an opinion on the historic financial information.

Notes to the Financial Statements
for the year ended 31 December 2021

1 General Information

1.1 Reporting entity

The Old Mutual Zimbabwe Stock Exchange Top Ten Exchange Traded Fund is registered and domiciled in Zimbabwe. The Fund commenced trading on 1 January 2021. The investment objective of the Fund is to provide investment results that, before fees and expenses, closely correspond to the performance of ZSE Top Ten Index.

1.2 Fund objectives

The objectives of the Fund are:

- To provide investors with an investment that balances long term capital growth and regular income; and
- To provide a medium risk profile by spreading investments over several sectors of the economy.

1.3 Fund Managers

The Fund Manager is Old Mutual Investment Group Zimbabwe (Private) Limited (OMIG). OMIG is a subsidiary of Old Mutual Zimbabwe Limited (OMZIL).

1.4 Risk factor

This is a moderate risk Fund. The Fund value fluctuates in line with the share prices on the Zimbabwe Stock Exchange, whose prices are affected by the performance of the companies, the economic and political outlook environment, and the outlook. The diversification of the asset classes in the portfolio minimizes specific asset risks.

1.5 Fund administration

Collective investment schemes invest in financial assets. The Fund is exposed to a mix of financial risks resulting predominantly from the top ten listed counters on the Zimbabwe Stock Exchange. Financial risk is limited by the regulatory environment. The Collective Investment Schemes Act (Chapter 24:19) has strict and specific regulations as to what instruments may and may not be held. The Fund is also governed by a Trust Deed, which commits it to a specific investment objective. The Trust Deed's investment objective is further refined into an investment mandate which requires the Fund Manager to manage the Fund in accordance with the specified mandate. As far as possible, compliance limits are built into the daily pricing systems and processes of the Fund Manager and are checked and reported on daily.

The Securities and Exchange Commission of Zimbabwe approves the creation of the Fund and reviews compliance by the Fund Manager at least annually. Regular checks are performed by the independent Trustee as well as the compliance function of the Fund Manager to ensure compliance with investment mandates and limitations specified in the Trust Deed and the regulations determined under the Collective Investments Scheme Act (Chapter 24:19). The Trustee is the custodian of units in issue as required by the Collective Investment Schemes Act (Chapter 24:19).

The Custodian is responsible for maintaining the Fund bank capital account and executing investments as directed by the Fund Manager.

2. Accounting Policies

2.1 Basis of preparation

The Fund's functional and presentation currency is Zimbabwean Dollar (ZWL). The inflation adjusted financial statements represent the principal financial statements of the fund. Historical cost financial statements have been presented as supplementary information to the restated financial statements.

IAS 29 requires that the financial statements prepared in the currency of a hyperinflationary economy be stated in terms of the measuring unit current at the balance sheet date, and that corresponding figures for previous periods be restated in the same terms.

The restatement of the historical cost numbers is based on the conversion factors derived from the Consumer Price Index (CPI) issued by the Zimbabwe Statistical Office (ZIMSTATS). The Fund Manager believes the CPI best represents average price movements in the economy during 2021 and have thus applied it in preparation of these Financial Statements. The indices and conversion factors used to restate the accompanying Financial Statements as at 31 December 2021 are given below:

Dates	Indices	Conversion Factors
31/12/2021	3 977.48	1
31/12/2020	2 474.51	1.6074

2.2 Revenue

The Fund has adopted International Financial Reporting Standard 15 - Revenue from Contracts with Customers (IFRS 15). The core principle of the standard is that revenue recognised reflects the consideration which the Fund expects to receive in exchange for the transfer of promised services to the customer. It incorporates a five-step model to determine the amount and timing of revenue recognition. Revenue comprises dividend income, realised and unrealised gains on investments.

2.3 Management fees

Management fees are calculated based on the rate approved by the Fund Manager and the unitholders. In 2021, management fees were calculated using a rate of 0.5% per annum based on fund value under management, with the accrual being done on a monthly basis.

2.4 Trustee's fees

Trustee's fees are calculated using a rate of 0.1% per annum based on fund value under management, with the accrual being done monthly and payment effected on a monthly basis.

3 Exchange Traded Fund's Investments

Quoted investments as at 31 December 2021

	Number of shares	Market price ZWL Cents	Audited Inflation Adjusted	*Unaudited Historical
			Market value ZWL	Market value ZWL
Local shares ZSE				
CBZ	326 783	7 517	24 563 657	24 563 657
BAT Zimbabwe	12 689	320 100	40 617 489	40 617 489
Cassava	1 694 228	4 065	68 875 451	68 875 451
Delta Corp Limited	815 726	16 253	132 580 926	132 580 926
Econet Wireless				
Zimbabwe Limited	1 618 707	8 500	137 590 095	137 590 095
Hippo	108 111	28 000	30 271 080	30 271 080
Innsco Africa Limited	356 294	16 240	57 860 863	57 860 863
National Foods	43 062	137 459	59 192 517	59 192 517
Simbisa	340 033	9 000	30 602 970	30 602 970
Meikles**	-	-	-	-
Total quoted equity investments	5 315 633		582 155 048	582 155 048

*The historic amounts are shown as supplementary information. As a result the auditors have not expressed an opinion on the historic financial information.

**Meikles shares were sold prior to year end as part of portfolio alignment. The Meikles shares were added back to the portfolio post year end in January 2022.

4 Financial Risk Management

4.1 Market risk

Market risk is the risk that changes in market prices such as equity prices will affect the Fund income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

4.2 Equity price risk

Equity price risk is the possibility that equity prices will fluctuate affecting the fair value of equity investments and other instruments that derive their value from a particular equity investment or index of equity prices. The primary exposure to equity prices arises from trading activities. The Fund Manager closely monitors the prices on the Zimbabwe Stock Exchange to manage the risk associated with price fluctuations.

4.3 Fair values of financial assets and liabilities

Determination of fair value

Fair values are determined according to the following hierarchy based on the requirements in IFRS 7 'Financial Instruments: Disclosures'.

Level 1 - quoted market prices: financial assets and liabilities with quoted prices for identical instruments in active markets.
Level 2 - valuation techniques using observable inputs: quoted prices for similar instruments in active markets or quoted prices for identical or similar instruments in inactive markets and financial assets and liabilities valued using models where all significant inputs are observable.
Level 3 - valuation techniques using significant unobservable inputs: financial assets and liabilities valued using valuation techniques where one or more significant inputs are unobservable.

Fair value hierarchy

Analysis of instruments at fair value

	Level 1 ZWL	Level 2 ZWL	Level 3 ZWL
Inflation adjusted			
At 31 December 2021			
Financial assets measured at fair value			
Equity instruments	582 155 048	-	-
Total financial assets measured at fair value	582 155 048	-	-
Historical			
At 31 December 2021			
Financial assets measured at fair value			
Equity instruments	582 155 048	-	-
Total financial assets measured at fair value	582 155 048	-	-

