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2022 Quoted Companies Survey

NAVIGATING THE GLOBAL DYNAMICS

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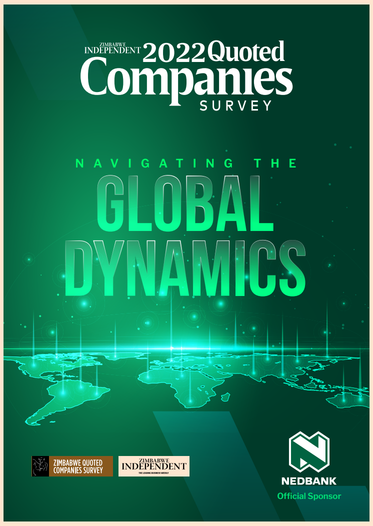

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ZIMBABWE INDEPENDENT 2022 Quoted Companies SURVEY

Editor's Note

ZIMBABWE quoted companies have gone through cycles of uncertainty which posed risks to the viability of these entities as the deep-seated and macroeconomic challenges coupled with foreign currency woes gripping the country's fragile economy persisted.
Perennial challenges characterised by limited capital markets, lack of fresh lines of capital in the midst of heightened political risk and loss of correspondent banking relationships militate against efforts to recapitalise companies. While capital markets in the form of debt and equity are particularly significant in supporting the growth of new firms, leveraging on them to boost productivity and create jobs has been slowed by a range of hurdles.

Though capital flows to emerging markets have grown tremendously over the past decade, worrying trends indicating that local firms are struggling to access capital have emerged. This comes at a time Zimbabwe is now showing signs of recovery from the impact of Covid-19, which rattled the global economy. Severe headwinds arising from the deep-seated macroeconomic challenges resulted in Zimbabwe's economic landscape deteriorating, with inflation galloping to 285,02% in August this year, up from 56,37% in July last year largely fuelled by the depreciation of the Zimbabwe dollar against the greenback. Listed and unlisted companies alike have had to embrace the new normal, which many were not ready for. This has led to the erosion of incomes paid in local currency amid the skyrocketing prices of goods and services, which are indexed in the United States dollar. Companies also had to endure the complexities of policy inconsistencies, especially in relation to issues of currency that led to unstable exchange rates as confidence continued to evade the market. In May this year, Zimbabwean companies woke up to a sweeping raft of measures announced by President Emmerson Mnangagwa aimed at stabilising the economy. The measures, including the impulsive suspension of credit and drawdowns on new and existing facilities and general lending to banks, rattled the market. While the directive was lifted two weeks later, exporting firms that rely on borrowing were already counting their losses. However, notable during this period was the fact that companies were also able to access funding via the auction market which improved production and product availability. For exporting companies, the firm global commodity prices helped drive earnings, as export competitiveness improved based on an easing currency. The government also brought a bit of relief to listed companies when it brought back the United States dollar as legal tender to stem rising inflation and restore confidence in the economy.

The perennial challenges and interventions basically call for quoted companies to think outside the box. The long and short of it is that Zimbabwe is yet to come out of the woods though immense opportunities abound. It is against this backdrop that we coined the theme for this survey: "Navigating Global Dynamics". Deviating from tradition, this magazine presented the unfolding global dynamics and how quoted companies can pursue available avenues to remain competitive and stay afloat.

This time the Quoted Companies Survey increased the review period from 12 months to 18 months due to the delay in the survey's launch. The implication of lengthening the review period was that instead of covering the full financial year period to December 2021 or March 2022 for some companies, a further half-year period review, covering January to June 2022 was included. In this issue, we look at how quoted companies can strategise in a shifting terrain.

We also look at emerging financial risks, international accounting standards as well as the new global initiative of cryptocurrencies among other issues. Climate change is also emerging as the new normal and we look at the options available for companies and the general populace. We also analyse government policy and the investment matrix as we question how the two can co-exist. This magazine would not have been a success if it wasn't for the unwavering support we got from our sponsors, Nedbank Zimbabwe, our research partners Equity Axis and all the article contributors. Here is to more working relationships.

Happy Reading.

Melody Chikono

- Editor


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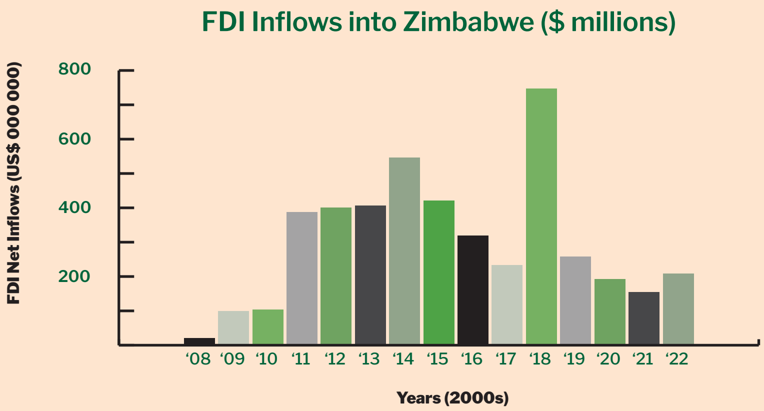
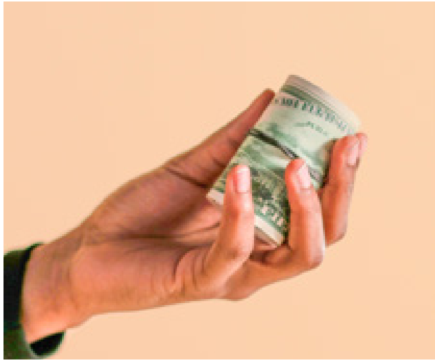
Government policy & investment matrix

by Victor Bhoroma.

ZIMBABWE Stock Exchange (ZSE) listed companies continue to face several macroeconomic challenges, which largely emanate from inconsistent government policies. The continuous depreciation of the domestic currency and surge in inflation has piled more pressure on the formal business climate.



MEASURE	YEAR	RANK
Transparency International Corruption Perceptions Index	2021	157 of 180
World Bank's Doing Business Report	2021	140 of 110
Global Innovation Index	2021	116 of 131



Annual inflation has increased from 257% in July 2022 to 285% in August 2022. Month-on-Month (MoM) inflation retreated from 25,6% recorded in July 2022 to 12,4% in August 2022, reflecting the rate at which savings, investments, and corporate earnings can be eroded in the economy.

Apart from the impact of inflation and currency uncertainty, formal business players face several operational constraints of a policy nature from foreign currency shortages and foreign exchange losses, low export retention levels, high levels of taxation, low consumer confidence, and a complex regulatory environment where licenses and permits must be renewed frequently to various government agencies.

Incentives to attract investment

The policy environment remains very unpredictable, and reactionary as opposed to following long-term economic targets. Zimbabwe's incentives to attract foreign direct investment (FDI) include tax breaks for new investment by foreign and domestic companies, waiver on import duty and surtaxes on capital equipment, and full tax deductions

on capital expenditures on new factories, machinery, and improvements. Over the past four years, the government has made very slow progress in improving the business environment due to bureaucracy and weak institutions that continue to frustrate investment.

The country ranks 140 out of 190 on the 2021 World Bank's Doing Business Report and 157 out of 175 on the Transparency International Corruption Perception Index. The Global Innovation Index ranks are also very low at 120 out of 131. The doing business environment has not significantly changed, much to the dismay of investors on the stock exchange. The key constraints faced by stock exchange-listed businesses include:

Securities Trading Policies

Recently government promulgated Statutory Instrument 103A of 2022 and suspended its implementation within one month. The legal instrument was said to be a measure aimed at blocking speculative trading on the ZSE by blocking the buying and selling of securities through third parties.

The reason for the suspension is that there were errors in the legal instrument. In June 2020, trading was halted on the stock exchange without proper procedure after the government leveled accusations of economic sabotage against dual-listed counters (Old Mutual, PPC, and Seed Co).

The suspension was lifted a month later without any charge or tabling of the report into the accusations. It is against such policy inconsistency that foreign investors shy away from buying securities in the country or investing in the foreign-currency-only Victoria Falls Exchange Market.

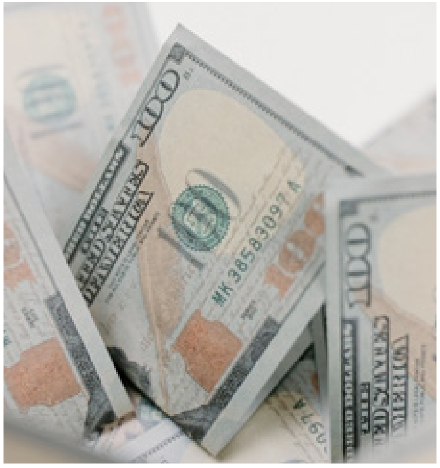
Dividend repatriation, capital movement

Foreign investor interest on the local bourse has declined due to stringent foreign exchange controls especially restrictions on formally repatriating dividends and capital for foreign investors.

Foreign investors have to wait for a portion of their dividends to be approved on the auction system and be queued for payments. The same applies to guaranteed exit when divesting from Zimbabwe. The country's foreign exchange regulations have been a pain to most investors who seek formal channels to repatriate dividends.

In the end, potential investors hold onto their capital or invest elsewhere in the region where exchange rate losses are minimal and capital movement is not restricted.

To improve the business climate and attract investment, the government needs to reform the current exchange controls and regulatory bottlenecks to ensure that investors use formal banking channels to repatriate their dividends and move capital (subject to normal exchange control regulations and due diligence).

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Foreign Exchange Regulations

Zimbabwe's foreign exchange regulations are punitive to formal businesses due to the absence of a free market foreign exchange mechanism.

Currently there is over US$1,8 billion that is parked in foreign currency accounts (FCA) and billions in diaspora remittances (US$1,4 billion in 2021, US$800 million in H1 2022) or informal sector sales (estimated to be 60% of GDP) that bypasses the formal economy.

The impact on business is that there are limited formal and legal channels in the market to source foreign currency. Similarly, the current export retention scheme allows exporters to retain 60% of the export proceeds and surrender 40% to the central bank.

On local foreign currency sales, the treasury retains 20% of all sales deposited in local banks. Ordinarily, these measures would not be a challenge if the conversion rate was market-determined.

However, due to the disparity between the pegged auction or interbank exchange rates and the market exchange rate, exporters are losing a significant chunk of their real export earnings. This means that it is no longer sustainable to export value-added goods from Zimbabwe. This has resulted in manufactured exports declining sharply to below US$128 million in 2021.

Punitive Tax Regime

The current taxation regime in Zimbabwe is burdensome with many tax heads, levies, permits, licences, and statutory fees seriously eroding the competitiveness of formal economic players.

Multi-layered taxes on electronic transactions (IMTT), excise duty on petroleum products, and mining royalties need to be aligned with regional peers to manage production costs.

Recently IMTT tax was hiked to 4% on all foreign currency payments, a move which will reduce the number of deposits and payments by business entities.

There is now an urgent need to simplify tax procedures for tax-compliant businesses or investors and payment of tax returns to applicants without subjecting the taxpayer to multiple audits. Currently, businesses evade taxes and do not file for tax returns as filing triggers an investigation into their wider business operations.

Despite the interest from businesses to comply with Zimra regulations, there are unnecessary delays due to inefficiencies at Zimra that serve as costs of doing business.

It takes 3-4 days for a truck to be cleared by Customs at most border posts, while there are over 12 documents needed to import or export commodities.

Businesses are now struggling to get tax clearance certificates due to the slow process at the tax agency and some errors on the part of Zimra, which can take so long to rectify.

Bureaucracy

The need for a one-stop shop is critical to the Zimbabwe Investment and Development Agency (Zida) mandate. However, businesses still face delays due to different institutions located at different geographical locations requiring physical visits to issue permits.

For example, to import and export agricultural products, several export permits are required which are not centralised. The country's foreign exchange regulations and inconsistent monetary policies have been a pain to most investors who sought formal channels to repatriate dividends or invest on the ZSE.

In the end, potential investors hold onto their capital or invest elsewhere in the region while existing ones look for illegal or unofficial channels to repatriate their dividends. The government must craft 10 years (or even more) of investment policies that do not change with the change of personnel in government departments.

These policies must align with other Southern African countries that compete for the same investment inflows and are endowed with similar natural resources.

Bhoroma is an economic analyst. He holds an MBA from the University of Zimbabwe (UZ).
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Strategising in a shifting terrain

by Chiedza Chonzi.

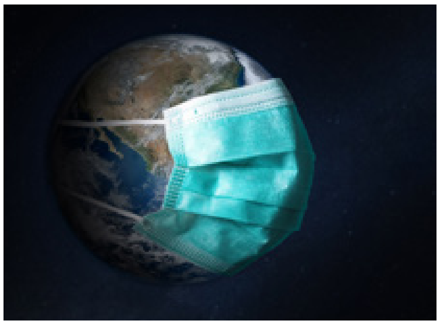
For any business operating in the volatile Zimbabwean economy, where policy inconsistency and hyperinflation constantly shift the terrain, the ability to strategise becomes vital.

A business strategy is an outline of the actions and decisions a company plans to take to reach its goals and objectives. By highlighting the strengths and weaknesses of a business, an effective strategy allows decisions to be taken on where efforts and resources are best spent. A sound business strategy can be the difference between a successful business and one that ultimately fails.

Global Terrain Shifts

The global business environment continues to change. Faced with ever-changing terrain, it is therefore essential for businesses to adopt appropriate strategies to ensure their long-term survival. We have seen organisations that do not adapt to disruption, technological advancements, and evolving customer demands, fail to survive in the long term. Over the years, we have also witnessed the demise of what were previously industry giants. Once known as an adaptive and forward-thinking business, Nokia failed to acknowledge the significance of software, greatly underestimating the rapid transition to smartphones. Toys R Us, a loved children's brand, struggled to adapt to the rise of e-Commerce and failed to provide a convenient, personalised or competitively priced shopping experience for its customers. Another company that failed to keep up with the times was the popular video rental chain, Blockbuster. The rise of Netflix and other video and streaming platforms, offering a wide range of viewing products from the comfort of one's device rendered Blockbuster's services obsolete.

In recent years the world has also witnessed the emergence of innovative business models that move away from the traditional ways of doing business. The traditional taxi business has been challenged by the emergence and success of ride-share applications like Uber, Lyft and Bolt, which offer individuals the opportunity to use their personal vehicles to give rides to users of the applications. Traditional hotel businesses are facing increased competition owing to the growing popularity of Air BnB and its unique offering for homeowners to host guests in their homes at a fee, usually a fraction of the price charged by hotels.



The growing popularity of these businesses challenges traditional business strategies, highlighting the need for adaptable strategies in an ever-changing environment.

Covid-19 and the business environment

Perhaps most notably, the world witnessed the Covid-19 pandemic disrupt life as we know it. Businesses were no exception to this disruption. Global economies shut down with human interactions drastically reduced and almost completely wiped out. Restaurants, whose businesses primarily revolve around gatherings, were vulnerable to the effects of the pandemic. Office spaces were rendered useless as most companies adopted work-from-home policies.

We saw adaptions to the changing terrain as curbside collection became more common and delivery was more widely offered by restaurants. Grocery store chains moved to offer delivery services for the restricted and likely fearful shopper who could not visit a store as they were previously accustomed to. The pandemic accelerated the shift towards a more digital world and triggered changes in shopping behaviours that are expected to sustain in the long term. In the US alone, online grocery sales are reported to have increased 103% year on year in 2020. The rapid and dramatic impact of the Covid-19 pandemic required swift strategic shifts in business operations.

How can businesses strategise?

A few theories have been brought forward on the appropriate response for businesses to take in light of the constantly evolving nature of the global economy. John Hagel suggests that as the world changes and the terrain becomes more unpredictable, business strategists shift from a view of the external terrain to a view of the internal terrain.

Rather than looking at the structure of markets and industries, strategies focus inward, at the terrain within the company to identify the existing capabilities and focus on approaches to strengthen those core competencies. The downside to this is that this approach can be easily blind-sided if the capabilities identified suddenly become obsolete. John Hagel emphasises the need for a clear view of the trajectory of change and how it will reshape the business landscape. Strategies are then developed to put companies on a trajectory to compete more effectively on a rapidly changing terrain. He, therefore, posits that instead of looking from the present out to our future, businesses look from the future back to the present in an attempt to determine the actions that will have the greatest impact and create the most economic value over time. In a global economic environment that is ever-evolving, a business's survival can be hinged on the adaptability of its strategy in response to changes in the terrain. William Pietersen highlights that static methods of developing strategies do not work in fast-changing conditions. He believes an organisation's survival depends on its ability to master a dynamic process for generating ongoing renewal.

While a number of theories can be brought forward on the best way for businesses to strategise in a changing terrain, it is clear that strategic plans need to be adapted to keep up with change as the future can never be predicted perfectly. Therefore, strategy, particularly in a constantly changing terrain, requires constant learning, unlearning, and relearning.

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International Accounting Standards:
Auditing Dilemma In Zimbabwe.

by Shingai Alex Chihanya

Introduction
ENTITIES operating within the Zimbabwean environment have been exposed to a number of economic environment factors in recent years which have seen them operating uniquely in order to survive.

These include the Covid-19 pandemic, the introduction of the Zimbabwe local currency, the banning of the use of foreign currency, the subsequent reintroduction of the multi-currency system and also the various legislative changes.

All these factors have multiple effects on the financial reports issued by these entities as well as on how audits are conducted. In some instances, it is fairly difficult to prepare financial statements which fully comply with International Financial Reporting Standards (IFRS) as we have Zimbabwe-specific issues that are currently not covered by such accounting standards.

As a result, some entities operating in Zimbabwe have been receiving qualified and adverse audit opinions continuously in the past three years and there seems to be nowhere out for the preparer. The objective of this article is to delve deeper into the thought process auditors go through in forming their opinion and understand the various dilemmas they encounter while evaluating the correct application of International Accounting Standards.

Management's responsibilities
Firstly, in order for us to understand the audit process, we have to have knowledge of the responsibilities of management. The management of an audited entity is responsible for the preparation and fair presentation of the financial statements in accordance with the applicable reporting framework.

The Public Accountants and Auditors Board (PAAB) prescribed the adoption of IFRS (Private Sector) and International Public Sector Accounting Standards (IPSAS) (Public Sector) as the reporting framework of choice in Zimbabwe and as such auditors will base their opinion on either of these reporting frameworks depending on the sector the \audited entity is in.

As part of the preparation of the financial statements, management is also responsible for assessing the company's ability to continue as a going concern, and whether the use of the going concern basis of accounting is appropriate, as well as disclosing matters related to going concern, including whether the use of the going concern basis of accounting is appropriate.

Management is also responsible for such internal controls as they determine necessary to enable the preparation of financial statements that are free from material misstatements whether due to error or fraud.

Auditors' responsibility
The Auditor's objective is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, thereby enabling the auditor to express an opinion on whether the financial statements are prepared in line with the applicable reporting framework.

In achieving this, the auditor is guided by the International Standards of Auditing (ISA) which were also prescribed by the PAAB through Statutory Instrument 41 of 2019. The auditor must assess whether the financial statements prepared by an entity have been prepared as per the requirements of IFRS and IPSAS.
In coming up with an audit opinion, where there has been non-compliance to the reporting framework, the auditor considers two main factors, that is, whether the noncompliance is material (significant to the users of financial

statements) and whether the non-compliance is pervasive (widespread in the financial statements). Depending on these two factors the auditor can come up with one of four opinions, that is, an Unqualified Opinion, Qualified Opinion, Disclaimer of Opinion or Adverse Opinion.

Opening balances
The last three years have been tumultuous in terms of the correct application of the IFRS. There are a number of recurring issues arising from prior periods which continue to have an impact on the current year's financial statements.

These issues include currency issues (rates), valuation of assets, appropriate functional currency and legacy debts. Where an entity received a qualified/adverse (modified) opinion in the prior year, auditors have to ensure that the non-compliance to IFRS recorded in the prior year has been corrected or will not have a material effect on the current year's financial statements.

A consideration of what accounting policies and procedures, if any, have been implemented by the financial reporting entity to address non-compliance with IFRS must be made.

It is the duty of the auditor to assess the sufficiency and appropriateness of these accounting policies and procedures in addressing the accounting issues which caused non-compliance with IFRS in the prior year.

Where the non-compliance was not addressed an assessment will be done by the auditor on the materiality and pervasiveness of the financial statements and thus the prior year's issue may have a bearing on the current period's audit opinion.

IAS 21: The effects of changes in foreign exchange rates
There have been a number of currency developments, which have had an impact on the reporting and functional currency of entities operating in a Zimbabwean environment. As we are currently operating in a multi-currency economy, each entity is required to make an assessment of whether its functional currency is the United States Dollar (USD) or the ZWL. This is an entity-specific assessment which must be done by management utilising guidance from IAS 21.


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The functional currency will be determined by factors that include the currency that most influences sales prices for goods and services as well as the currency that mainly influences labour costs. During the audit, it is the responsibility of the auditor to make an assessment of whether the functional currency that the audited entity has applied has been appropriately determined and the necessary disclosures have been made.

This assessment will be made at the entity level. In assessing the appropriateness of the functional currency selected the auditor will also utilise the conditions set out in IAS 21 as well. IAS 21 also gives guidance on the appropriate exchange rate to be utilised in converting those transactions and balances incurred in currencies other than the functional currency. The standard highlights that an appropriate rate is the spot rate which is the rate of exchange for immediate delivery.

The main market for foreign currency in Zimbabwe is the Reserve Bank of Zimbabwe Interbank Auction. However, this system does not seem to be able to meet the full demands of the industry.

As such entities are forced to source foreign currency in other ways, and thus utilise a number of exchange rates to transact in foreign currency.

As a result, it becomes very difficult for reporting entities to determine the most appropriate exchange rate as sometimes the rate that meets the criteria of "immediate delivery" may not be legal, or verifiable. This is largely a unique Zimbabwean condition, termed "Long term lack of exchangeability" which unfortunately has no guidance yet in the current IAS21 standard (work is however being done by the International Accounting Standards Board to address this).

The auditor, in performing his responsibilities must ensure that any translations that have been done in the financial statements have been done at an appropriate rate which meets the requirements of IAS 21. The issue of an appropriate rate will again be an entity-by-entity assessment (no blanket rate is applicable).

As there is currently no clear guidance on determining an appropriate exchange rate where there is a lack of long-term exchangeability, the auditor, in assessing the appropriateness of the exchange rates utilised should consider the most recent pronouncements.

These should include exposure drafts of other standard-setting bodies that use a similar conceptual framework as IFRS, other accounting literature and accepted industry practices. The auditor should ensure that these do not conflict with the conceptual framework or with the requirements of IFRS standards dealing with similar issues.

IFRS 13 Fair Value Measurements, IAS 16 Property Plant and Equipment and IAS 40 Investment Properties held by business entities are usually major elements of most financial statements and hence value has to be determined appropriately according to the requirements of IFRS 13. Property held may include Property Plant and Equipment as well as Investment Property. Where a valuation has been done, the auditor has to make a determination with regard to the impact of the valuers' report on the audit report.

The auditor may accept the valuer's report as appropriate audit evidence subject to conclude that the work of that valuer is adequate for the auditor's purposes. Procedures that the auditor will do to determine whether or not to rely on the valuation report include evaluating if the valuer has the necessary competence, capabilities and objectivity for the auditor's purposes.

Where the auditor determines that the work of the valuer is not adequate for the auditor's purposes, the auditor can agree with the valuer on the nature and extent of further work to be performed, or perform additional audit procedures appropriate to the circumstances.

More disclosures and notes in the financial statements may help to clearly indicate the sensitivities of the property valuation and related inputs. These disclosures should provide information to allow the users of financial information to understand how the property values were determined and the major factors which influenced the property values.

Going concern

As highlighted above, management has a responsibility to assess the company's ability to continue as a going concern and determine whether the use of the going concern basis of accounting is appropriate.

The auditor's responsibilities on the other hand are to obtain sufficient appropriate audit evidence regarding, and conclude on, the appropriateness of management's use of the going concern basis of accounting in the preparation of the financial statements, and to conclude, based on the audit evidence obtained, whether a material uncertainty exists about the entity's ability to continue as a going concern.

The risk of significant litigation claims or penalties and fines for non-compliance to the President's pronouncements should be considered when the auditor is assessing the appropriateness of the Going Concern Assumption. Consideration must also be done of the impact of the change in government policy and whether this affects the audited entity in anyway.

Laws and regulations

In addition to laws and regulations that have a direct effect on the determination of material amounts and disclosures in the financial statements (for example tax and pension laws and regulations), the auditor also has other responsibilities. There are other laws and regulations that do not have a direct effect on the determination of the amounts and disclosures in the financial statements, but compliance with them may be fundamental to the operating aspects of the business, and to an entity's ability to continue its business, or to avoid material penalties."

These laws may include compliance with the Companies Act, Finance Act and other government pronouncements. The auditor is required to perform audit procedures to help identify instances of noncompliance with other laws and regulations that may have a material effect on the financial statements.

Non-compliance to the laws and regulations may have a material effect on the financial statements and going concerns of an entity as it may result in significant penalties or litigation.

The auditor must perform procedures to help identify instances of non-compliance with the laws that may have a material impact on the financial statements.

These procedures include enquiry from management and inspection of any relevant correspondence with regulatory organisations. If the auditor identifies any circumstances of non-compliance, he/she shall consider the appropriate way of communicating this to those charged with governance or the regulatory authorities, however considering confidentiality.

Conclusion

These are only a few circumstances where the audit process becomes complex within a Zimbabwean environment. Over and above adhering to the ISAs, it is the auditor's responsibility to adhere to the Ethical Code of Conduct which entails that auditors must always do the right thing when faced with these dilemmas in the application of Accounting Standards.

Chihanya is a Chartered Accountant and is currently the Assistant Technical Manager at the Institute of Chartered Accountants of Zimbabwe (ICAZ).

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Navigating the Global dynamics as Capital Market Participants.

by the ZSE

In recent years, our global economy has suffered a series of successive shockwaves, with our local Zimbabwean economy not spared.

The Zimbabwe Stock Exchange Limited (ZSE), being a barometer of the economy, has in the past recovered from two world wars and hyperinflation since its establishment in 1894. Over the years, the ZSE has managed to stand the test of time remaining the backbone of the country's capital markets.

The profile and stature of the ZSE have, as expected, changed over the years, with the automation of the exchange in 2015, the de-mutualisation in 2017, the roll-out of View Only Terminals in 2017, roll out of ZSE Direct, an online trading platform in 2020, the launch of Victoria Falls Stock Exchange (VFEX) in 2020, the establishment of Zimbabwe Receivables Marketplace in 2021 and the commencement of the ZSE Central Securities Depository in 2021. Today, it gives us great pride that the ZSE-listed entities represent the breadth of the Zimbabwean economy from primary extraction industries to service firms. Today's global turbulence provides an important reminder that the capital markets and the assets that underlie them, offer extraordinary investment opportunities for investors and companies.

The capital markets offer investors attractive investment opportunities with better returns and a wider range of securities and instruments that can help investors diversify their portfolios and manage risk. For a company or entity in need of funding, the capital markets provide an alternative source of funding and long-term capital-raising solutions. The globalisation of markets offers additional opportunities for companies to reach a wider audience, similar to capital markets. With the remarkable world-wide expansion, the role of the ZSE in creating an enabling environment for long-term capital and risk management solutions for issuers, and allowing the public to enjoy diversified, safe and easy investment is now more relevant than before.

This year's theme of the Zimbabwe Quoted Companies Survey; Navigating the Global Dynamics speaks to the future of our capital markets, despite having gone through tumultuous periods in the past but still remains strong. Now is the most opportune time for companies to adapt and adopt strategies that can lend the opportunities in the global markets. It is crucial for businesses to change as flexibility and adaptability become valuable in navigating global dynamics. There is a need for greater transparency and disclosure to navigate the global markets, given how globalised and complex the markets have become. Considering that the 55 companies listed on the ZSE also operate in global markets, some regional and international, and have foreign shareholders the need for transparency is now crucial more than ever.

Transparency entails an efficient and fair market with adequate information for the market participants.

There is a need for issuers to be transparent in order to remain competitive, therefore by virtue of being listed, these companies adhere to the ZSE listings rules, which call for full disclosure of issuers.

To promote transparency, the ZSE complements its traditional service offerings with training to ensure both prospective issuers and investors are equipped with the right information and know-how. We are in an era of disruption in which global forces are changing how we operate our businesses. However, global trends offer considerable new opportunities, which businesses need to take advantage of. Market opportunities today are much more global, and it was also crucial for the exchange to proffer innovative solutions to navigate the global marketplace and provide value for investors and listed entities.

As a result, the ZSE launched the Victoria Falls Stock Exchange (VFEX) in October 2020. VFEX trades in United States dollars and is meant to attract both local and international issuers by providing opportunities to diversify investment portfolios and hedge against exchange rate risk. The incentives on VFEX include raising capital in hard currency, 5% dividend withholding tax (foreign investors only), and exemption from capital gains withholding tax makes the exchange attractive to both investors and issuers. The ZSE appreciates that the Quoted Companies Survey remains integral to the capital markets, having been part of the capital markets for over 25 years. The Quoted Companies Survey provides an independent gauge of how the ZSE issuers have performed. The ZSE undoubtedly takes pride in all its issuers and most importantly recognises the independent analysis that seeks to reward those that are deemed out-performers.

From the ZSE's perspective, all issuers are winners taking cognisance of the bold steps taken by issuers in making their affairs public by listing on the ZSE. Listing is not an easy route as you are subjected to public scrutiny. However, the listing is indeed a hallmark of the intent to abide by the highest corporate governance standards and the willingness to be publicly scrutinised both at the business and personal levels. Listing is also a testament to the focus on sustainable business decisions and the consideration of all stakeholder concerns.

To all the issuers, we salute you! The ZSE deems you our ambassadors, and we value all of you. The ZSE also celebrates the singled-out winners and takes pride in their achievements. Hearty congratulations to all winners and finalists.

In conclusion, navigating the global dynamics requires a shift in mindset as continuing with existing operating models may not suffice for businesses. Therefore, listed companies must stay involved in global developments at the frontiers of innovation by testing out and piloting new technologies.

For any business to survive, innovation and agility are required. Capital markets are also evolving and the ZSE remains committed to continuing to adapt to global trends to ensure that it remains relevant. New products such as REITs will be launched and commodity-backed ETFs will be increased to ensure there is market and product diversity going forward.

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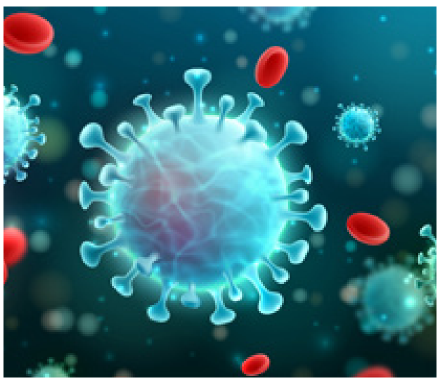
Emerging financial risks: A global perspective.

by Tafara Mtutu

As the global community is dusting off the Covid-19 effects, it has been plunged into yet another crisis – the Russia-Ukraine conflict.

The abrupt culmination of the geopolitical conflict at the tail end of the Covid-19 pandemic has created diverging economic forces that have presented unique challenges for policymakers in major economies.

Most economic activity is yet to fully rebound to pre-pandemic levels but traditional measures to support the rebound, like lowering interest rates, also come with the unwanted impact of fanning the unnervingly high global inflation rates. Furthermore, the economic slowdown in China, which is still reeling under Covid-19, has also rippled into the world's economic growth potential in 2022.



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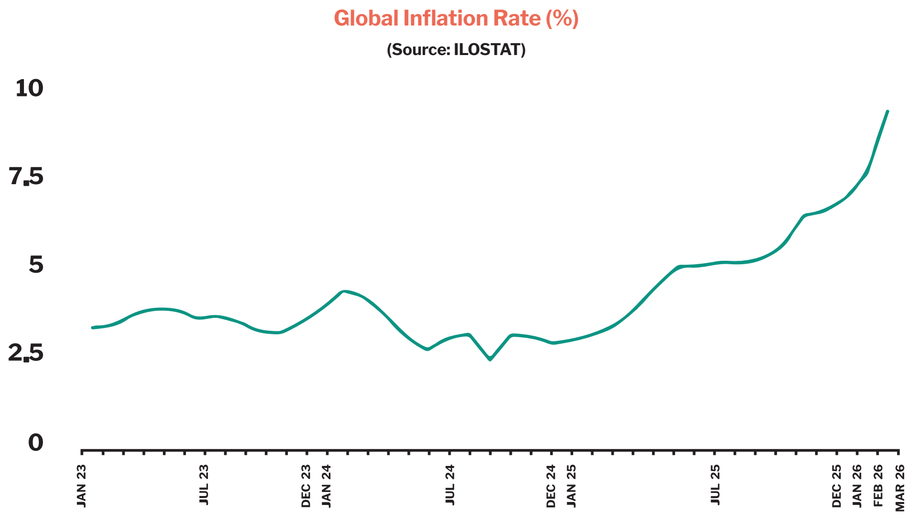


Key emerging financial risks from the Russia-Ukraine conflict have been noted, including inflation risk driven by a surge in key commodities, interest rate risks emanating from countermeasures by policymakers and currency risks concentrated among emerging market currencies.

The surge in commodities has been headlined by energy commodity prices, whose supply dynamics materially changed since the conflict escalated. WTI Oil price is up 15% in the year to date because of lingering concerns over global oil supply. In the same vein, natural gas prices have surged 156% since the beginning of the year because of the implications of the EU's dependence on Russia's gas.
About half of Russia's oil exports are taken up by Europe, while 41% of the EU's natural gas

imports come from Russia. Given the souring relations between Russia and Nato member states, some of which are in the EU, the latter have found themselves at somewhat of a disadvantage as they remain in dire need of Russia's energy in the immediate term.

In addition, conflict-driven disruptions in the supply of soft commodities like wheat and corn have further added to global year-on-year inflation, whose prices have increased by 13% and 15%, respectively, compared to the start of the year.

Policymakers all over the world have implemented measures to maintain global economic stability in the wake of the risks related to rising geopolitical tension. Among these measures is the increase in interest rates to tame inflation back to sustainable levels.
The United States Federal Reserve has signalled several interest rate hikes (up to 2,5%

throughout 2022) to combat inflation, while the European Central Bank has hinted at the possibility of three eurozone interest rate hikes in 2022.

Closer to home, South Africa has already commenced revision of interest rates upwards after it announced a 50 basis points increase in rates to 4,75% on May 19 2022 and another 75 basis points hike to 5,5% in July 2022.

However, these countermeasures come at an inopportune time when businesses were gearing up to restore pre-Covid-19 production levels and expectations are that the higher rates worldwide are likely to permeate into the global economic growth expectations.

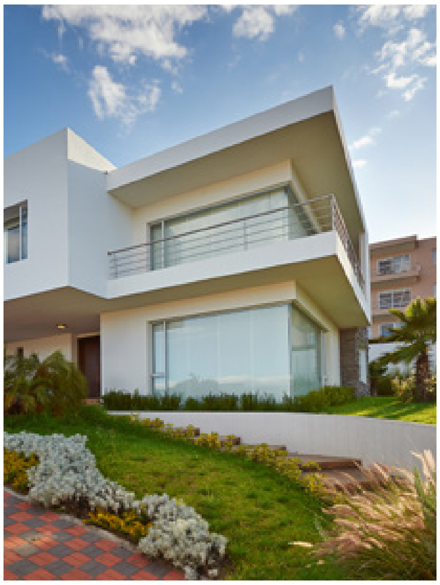
In January 2022, the International Monetary Fund (IMF) revised global GDP growth downwards to 3,2% from 4,4%. The pandemic-driven slowdown in China also adds to the drag in global economic growth given that the country accounts for about 20% of global GDP. Currency risks are also likely to become material on the global stage in 2022, but even more so among emerging and frontier markets.

The latter will likely bear the brunt of these global financial risks as flight-to-safety among international investors prompts a sell-off of these countries' currencies in exchange for more stable currencies like the US dollar and the euro.

Brazil, Russia and South Africa have already experienced a depreciation of their respective currencies in 2022 versus the US dollar, with expectations that China's currency will soon follow suit.

We assert that the quicker upward interest rate revisions among emerging markets relative to developed economies are likely to defend against the depreciation of their currencies, albeit to a lesser extent. Preserving the value of investments will be a key priority in 2022, and theoretically, we expect to see a recalibration of investment portfolios towards real and other inflation-hedging asset classes throughout the year.

However, this has been complicated by the



concurrent occurrence of two global crises. Equities are traditionally negatively exposed to inflation, and we expect that the rest of 2022 will be difficult for the asset class given the above risks as well as a reversal of valuation multiples towards sustainable levels.

Between January and September 2022, the Dow Jones Industrial Index lost 14%, the S&P 500 Index shed 17%, NASDAQ retreated by 26%, and Germany's DAX weakened by 18%. The FTSE 100 recorded marginal losses of 1,2%. While fixed income often does well in such cases, current trends suggest otherwise.

Overall, the asset class's year-to-date performance has been -12% despite increasing interest rates because of an overwhelming cool-off in prices following Covid-19's influence on the record high bond prices in 2020 and 2021.

Over a five-year period, however, the asset class remains on an upward trajectory and hints of a global recession are likely to sustain the trend. Real estate is also regarded as another good hedge against inflation, but surging interest rates have constrained the uptake of mortgages and increased the odds of defaults.

These downward pressures have been cushioned by stronger demand for property relative to supply and the overall picture remains negative until interest rate hikes are reversed.

Soft commodity prices continue to hover above 2021 price levels as corn and wheat supply concerns remain in the picture.

Further, several grain-producing countries such as Argentina, Algeria, Russia, Indonesia, India, and Kuwait have implemented export bans and limits intended to protect local supply amid crippling extreme weather conditions globally. These dynamics are likely to sustain soft commodity prices at current levels for the remainder of 2022.

However, most hard commodities are likely to remain in the red in 2022 because of the debilitating impact of the conflict on energy and industrial activity as well as the ripple effects of contractionary policies on global aggregate demand.

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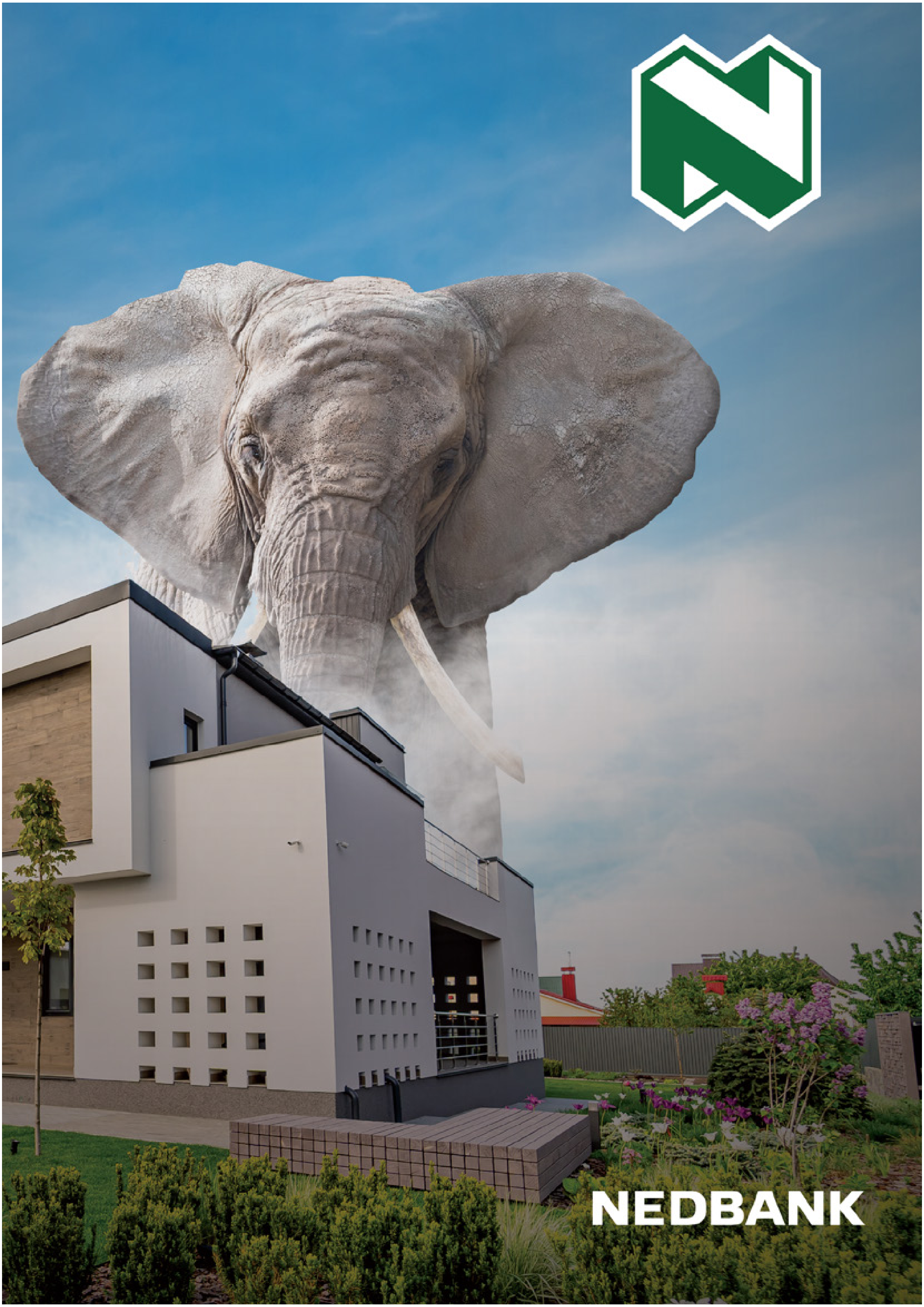
NEDBANK

Should corporations consider investing in crypto assets?

by Eben Mabunda

PHONG Le, President, and CFO of MicroStrategy, a Fortune 500 company recently indicated: "Global macro -economic, monetary and digital evolutions have converged, requiring all forward-thinking corporations to consider alternative assets on their balance sheet.

"The ecosystem and the regulatory environment for digital assets, especially Bitcoin, have matured to the point that this strategy is becoming approachable and mainstream." While this position would spark a lot of debate, investment in crypto by corporates is worth considering in the long run despite the turbulence that has gripped the cryptocurrency markets in recent months. Bitcoin, the most popular cryptocurrency bottomed to its 52-week low of US$17 708 on June 18 having plunged more than 50% from its November peak, with countless other digital tokens abruptly lower than their historic highs.

The drop followed news of several crypto companies facing a liquidity crunch. Crypto and global equity markets have witnessed turbulence since the start of 2022, thanks to headwinds as varied as inflation, rising interest rates, and the war in Ukraine. The recent, massive market turbulence, however, is something distinct as it is linked directly to the quandaries of stablecoins. Stablecoins are cryptocurrencies whose value is pegged to a traditional asset, most often the US dollar. TerraUSD (UST), an "algorithmic" stablecoin, employs a blend of code and partial propping from bitcoin and other digital tokens. It, however, floundered earlier this May, dragging southward an associated token called Luna with it. Panic over the development erased hundreds of billions of dollars from the entire crypto market.

Tether, the world's biggest stablecoin, saw more than US$10 billion in redemptions in successive weeks, fuelling fears of a 2008 déjà vu, weighing on other financial markets. There are more than 19 000 cryptocurrencies in existence and dozens of blockchain platforms that exist and there is a strong indication that thousands of digital tokens will flop while the number of blockchains in operation will also tumble over the coming years. Notably, there seem to be stark similarities to the recent happenings in the crypto markets with the early 'dot-com days.' Also known as 'the Internet bubble,' this refers to the stock market bubble caused by excessive speculation of Internet-related companies in the late 1990s, a period of massive growth in the use and adoption of the Internet.

Taking a jog down memory lane, between 1995 and a March 2000 high, the Nasdaq Composite stock market index rose 400%, only to fall 78% from its peak by October 2002, surrendering all its advances during the boom. Just as the markets recovered from the dot-com bubble, I hold that there will be a recovery in the crypto-market perhaps in the medium term. It may be a severe winter for the crypto markets. Bearing in mind that winter comes before spring, the hope is that investors may need to sit this one out and wait for the market to thaw, notwithstanding, that the cryptocurrency sector has survived catastrophic crashes before.

Much as these markets present high risk and high volatility and Cybersecurity threats, they also present opportunities for astronomical value growth. It's not clear as yet when the market will realise stability but the basic rules of investment 'buy low sell high' could come in handy in the interim, especially for a select group of crypto assets. Notably, a growing number of foreign public firms were buying Bitcoin, including MicroStrategy, Tesla, and Coinbase — purchasing billions in the cryptocurrency between them.

Before this bubble burst, several Ivy League endowments including Harvard, Yale, Michigan, etc, had taken an interest in blockchain technology via crypto-focused venture capital funds. A recent report by Deloitte makes a case for investments in NFTs -- a blockchain token that proves ownership of a digital asset, such as artwork or collectables, "For companies with an appetite for change, NFTs already present an opportunity to engage with a tech trend that can help them create fresh revenue streams and reach new customers and stakeholders."

Deloitte makes an argument for Cryptocurrencies and posits that: "Crypto could enable access to new capital and liquidity pools through traditional investments that have been tokenised, as well as to new asset classes. Crypto may serve as an effective alternative or balancing asset to cash, which may depreciate over time due to inflation." "Crypto is an investable asset, and some, such as bitcoin, have performed exceedingly well over the past five years. There are, of course, clear volatility risks that need to be thoughtfully considered."
The British and Japanese governments recently proposed amending existing rules to manage the failure of stablecoin firms that may pose a "systemic" risk.

The total cryptocurrency market capitalisation is sailing at more than US$1 trillion.

But that's still a far cry from the US$3 trillion capitalisation cryptocurrencies witnessed in November 2021. In Africa, while the Central Africa Republic has taken a bold step to legalise digital currency (Bitcoin), Ethiopia's central bank in the second week of June 2022 warned citizens not to engage in "illegal" transactions in digital currencies. Meanwhile, central bank digital currencies (CBDC) are fast gaining traction the world over, including in Africa. Nigeria blazed the trail, launching its own Central Bank Digital Currency, dubbed the eNaira, in October last year, while Ghana is readying the launch of its e-cedi. The Bank of Zambia, the Reserve Bank of Zimbabwe and the Kenyan Central Bank are also researching digital currencies.

To date, nine countries have launched a digital currency globally, 14 are in the pilot stage while 87 others are exploring it. This is emblematic of how governments, central banks, and corporations are toward the very idea of cryptocurrencies.

For a lagging economy like Zimbabwe, the movement of funds for investment into crypto assets may prove an arduous and near impossible mission for corporations in the interim; dragged by a myriad of regulations, currency woes, and the weight of sanctions on transactions beyond Zimbabwe's borders.

Nevertheless, cryptocurrencies remain an investment asset class worth considering in the medium to long term for Zimbabwean and regional corporations.

Mabunda is an analyst and TV anchor at Equity Axis, a leading financial research firm in Zimbabwe. — ebenm@ equityaxis.net

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Options for climate change financing in Zimbabwe

by Shelton Lucas

ZIMBABWE and the rest of southern Africa are facing an energy crisis which has seen renewable energy move to the centre stage of the global energy landscape. The profound change in energy space has also buoyed power shortages, hampering industrial production and investment. Most of the power available in the region is generated from hydroelectric and coal-fired power stations.

The scrapping of coal will further worsen the crisis in Zimbabwe. The country has an installed capacity of about 2 210MW of which 1 050MW is generated at the hydroelectric power plant at Kariba. The rest is derived from several coal-fired power stations with the largest being Hwange with an installed capacity of 920MW. In recent years, the country's actual generating capacity has been lower than the

installed capacity due to low water levels at Kariba. As a result, the availability of electricity has been affected, affecting the operations of most businesses. It is costly to run and maintain diesel powered generators to augment power supplies. Most blue chip companies in Zimbabwe have moved to solar in line with Zimbabwe's commitment towards the adoption of clean and renewable energy. Financing climate change projects in Zimbabwe is insatiable because investors want to have a share of the lucrative opportunities that arise in this bold solution.

Apart from solar farms and rooftop solars, there are food and energy centres that can be established. Agriculture is the mainstay of Zimbabwe's economy. The food and energy hubs will hedge the

production of agricultural produce against rainfall deficits. Unreliable rainfall patterns have come about as a result of climate change. Food and Energy is simply a combination of greenhouse and solar cladding. Normally one hectare of photovoltaic solar power produces 1MW of electricity. This electricity can be channelled to the national grid with the government as an off-taker buying at $US0.09 KW/h after the attainment of the power purchasing agreement.

The government as an anchoring client makes the projects become bankable and this will be key in attracting foreign direct investment. This is a practical innovation that will create maximum impact. There's a global war in capitalisation as insurance companies are battling a 56% increase in claims amounting to US$1,2 trillion annually because of the effects of climate change. The insurance companies

now have dedicated finance for net zero economies to mitigate the risk of the claims.
It is against this background that insurance companies will look for bankable projects and fund those that are aimed at tackling climate change.

The other sources of green energy are wind turbines. Zimbabwe has rare earth elements which are used to make specialised magnets used in wind turbines. Banks, which used to fund fossil fuel production, can substitute that with funding rare earth elements and petalite lithium which is abundant in the country. Lithium prices have skyrocketed owing to an increase in demand for electric cars because of the effects of climate change.

Lucas is the chairperson for Chrome Miners Association.

Mashonaland Holdings Limited - Diversifying and Realigning for Growth

by Eben Mabunda

Background

MASHONALAND Holdings Limited is one of the flagship brands in the local property landscape. The company was incorporated in 1966 and went on to list on the Zimbabwe Stock Exchange in 1969. The listing, a first for a property entity in the history of the local bourse, was a bold statement from the company as it signified its strategic intention to grow its offering and become a household provider of real estate services in Zimbabwe. Today, Mashonaland Holdings Limited delivers value to its customers through three functional units; Property Research and Development, Property Management and Facilities Management.

Property market changes

Over the years, customers' tastes and preferences regarding real estate have evolved and gravitated towards customisation, flexibility, and environmentally friendly and socially responsible buildings.

On the other hand, most property companies have remained with the same value proposition thereby creating a mismatch between product and market expectations. Though there is a firm demand for informal/small to medium enterprises (SMEs) oriented trading space and residential properties, most property companies have not been agile enough in re-orienting their portfolios towards such sectors. Other vices, such as growing population density, traffic congestion, noise pollution and street trading in the CBDs have also added their weight to the occupancy burden borne by property owners.

Diversification for survival and growth

Mashonaland Holdings Limited, operating in the midst of these challenges, had to redefine the market space needs and proffer a value proposition that speaks to the expectations of modern-day customers.

This was a deliberate move aimed at preserving shareholder value and is underpinned by strategic aspirations of embedding sustainability into all income streams. For Mashonaland Holdings Limited, portfolio diversification towards strengthening its presence in resilient sectors was the way to go. The strategy is also aimed at rebalancing the entity's property portfolio and resolving the CBD conundrum.

Chiyedza House- flexible office space

Mashonaland Holdings Limited successfully launched the SMEs flexible office space facility located at Chiyedza House, 68-70 Kwame Nkrumah Avenue, Harare in 2021. The facility is a response to changing market needs and was birthed out of re-modelled space, which was initially configured for larger corporates. It provides SMEs with smaller and more affordable office space leased out on flexible lease terms and conditions. The Chiyedza House flexible office space facility achieved full occupancy within the first month of launch, a strong indication of untapped market potential and product relevance.

SME businesses at the facility also enjoy add-on services such as Wi-Fi, boardroom, telephone, and reception services. The company adopted a phased approach towards remodelling space in its CBD portfolio to accommodate more SMEs/informal sectors. An additional phase with 32 miniaturised offices was launched in May 2022 following the full uptake of the first phase.

Health sector portfolio consolidation

The need to embrace socially responsible property investments (SRPI) have challenged familiar ways of investing in real estate. Over the years, the healthcare sector has shown sustained resilience compared to other property sectors. For Mashonaland Holdings Limited, an investment held in West End Clinic was the flag bearer of the company's presence in the healthcare sector. In addition to West End Clinic, the company secured a site for the construction of a clinic in Milton Park, Harare. The clinic has already been pre-leased.

This investment is the latest addition to Mashonaland Holdings Limited's healthcare property portfolio as guided by its diversification strategy. In addition to being underpinned by stable returns and long-term prospects, the company's interest in the healthcare sector is also a result of its focus on embedding ESG principles by spearheading socially impactful infrastructure investments.

Mashview Gardens, Bluffhill

The company recently announced its entry into the top-end residential housing market segment through the Mashview Gardens Project in Bluffhill, Harare. The cluster housing project comprises 25 modern housing units and is set for completion in 2022. Though all the units were fully sold off-plan, the company continues to assess similar opportunities with a view to expanding its exposure in the residential sector.

Borrowdale Road office park

Mashonaland Holdings Limited has also bagged new strategic acquisitions that support its diversification efforts. One of these exciting prospects is the acquisition of prime land along the Borrowdale Road corridor. This land is earmarked for the development of a modern office park embracing the key elements of sustainable real estate.

Pomona acquisition

The company also secured a 4ha piece of land in Pomona and this is earmarked for a mixed-use development that encompasses retail and flexible warehouses. Of late Pomona has emerged to be one of the most sought-after commercial zones in Harare, as seen by the construction activity in the area. The company is earmarking to commence construction of a wholesale-retail facility in Q4 2022 having secured an anchor tenant already.

The outlook

Mashonaland Holdings Limited is bullish about the opportunities in the real estate industry in Zimbabwe. It has anchored its growth on diversifying its portfolio into emerging sectors/non-traditional property sectors. The company is currently scouting for strategic acquisitions in Victoria Falls, Zvishavane and Bulawayo. This is in addition to ongoing explorations for informal sector-oriented retail opportunities in Harare CBD. As a leading property investment entity, the company is pleased to be creating a model property portfolio, which is anchored on delivering sustainable returns to investors and addressing the needs and aspirations of its other key stakeholders.


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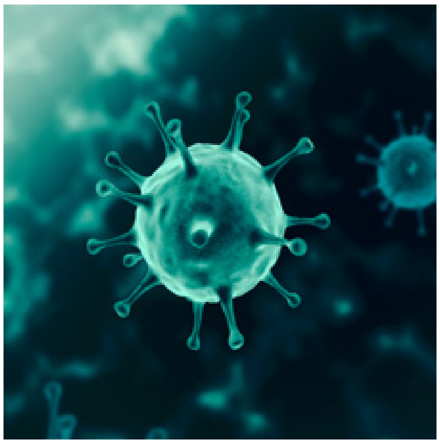
Adjudicators Note

This year the Quoted Companies Survey lengthened the review period from 12 months to 18 months due to the delay in the survey's launch.

The implication of lengthening the review period was that instead of covering the full financial year period to December 2021 or March 2022 for some companies, a further half-year period review, covering January to June 2022 was included. These changes were necessitated by the need to make the survey relevant in the context of the latest published financials. The publication of financial statements within mandated timeframes has improved in the post-Covid-19 period, but a fraction of the companies still seek extensions for different reasons including changes of auditors, consolidation of newly acquired business or changes in equity structure.



While these are generic factors, our view is that the adoption of hyper-inflationary reporting has increased the scope of work involved in the preparation of the financials resulting in some of the noted delays in the publications of the results.

We have observed that due to these delays, the ZSE ranks lower compared to regional exchanges including the Johannesburg Stock Exchange (JSE), Botswana Stock Exchange (BSE) and the Lusaka Stock Exchange (LUSE). This is despite the fact that some exchanges

such as the JSE have relatively way bigger entities which would require more time to prepare financials. The departure from International Accounting Standards (IAS) and election to comply with SI 33 of 2019, has, by default resulted in ZSE-listed companies reporting financials with an adverse audit opinion.

These adverse opinions are market-wide and demand that users apply care when using financial statements. However, from a different perspective, it becomes increasingly difficult for parties considering acquisitions, consolidation and basic valuations.

The import of this move is that Zimbabwe companies may fail to attract new external investors for some time to come because of unreliable financial statements. This is however a pure endogenous policy factor divorced from individual entities' control. The scope of this year's Quoted Companies Survey (QCS) covered 50 active counters listed on the ZSE. The ZSE has a total of 56 listings and of these, about six are suspended from trading and not considered in this survey.

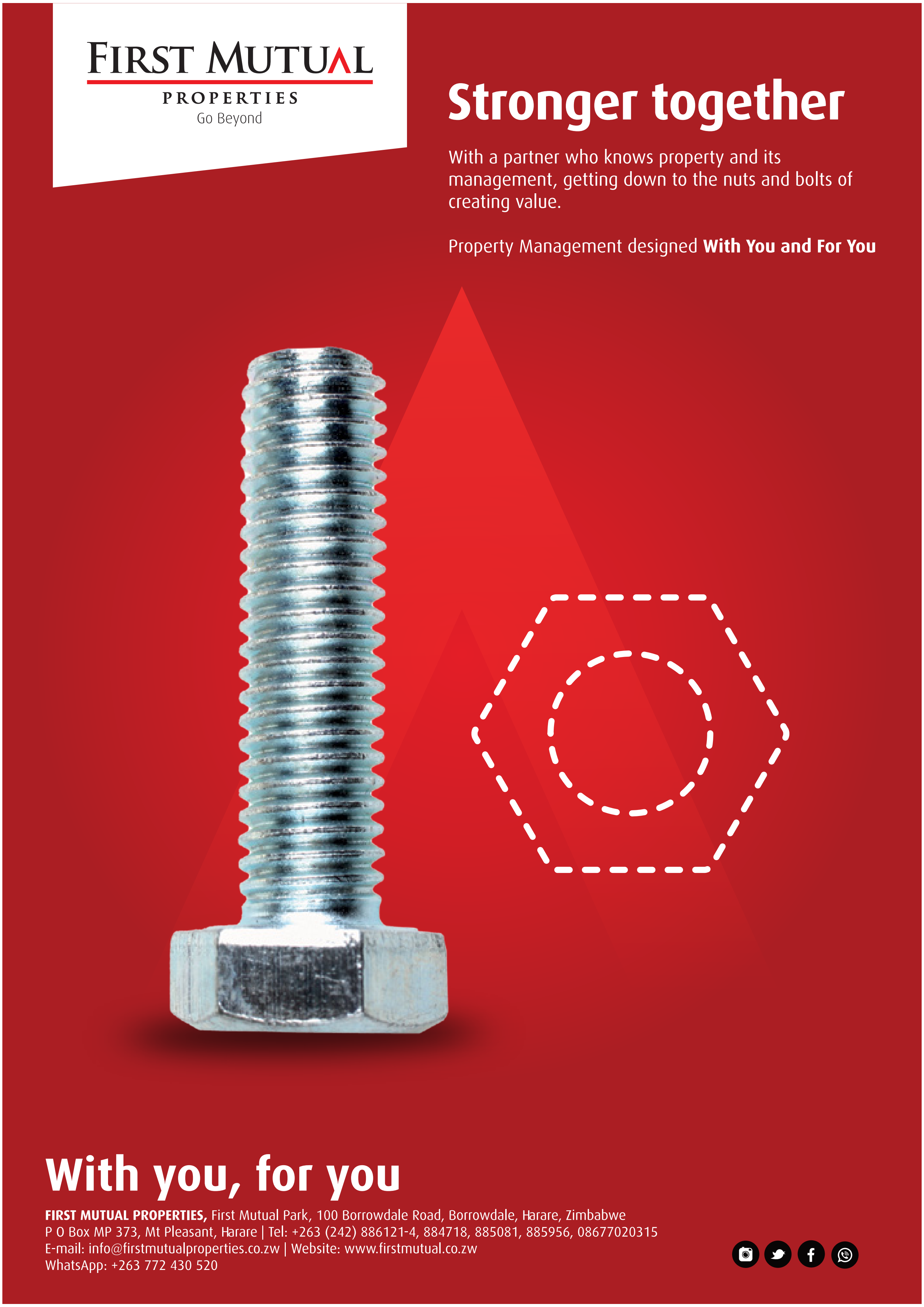
The survey also extended its scope to the Victoria Falls Stock Exchange (VFEX) which now has four listings. The key elements of the survey considered overall financialperformance which is deduced from profitability matrices.

Companies were rated based on multiple criteria including ESG Matrix for sustainability and Multiples for performance. Other aspects such as technology and innovation were evaluated based on capital expenditure and sales. ZSE companies generally reported positive profitability owing to redeemed demand. 2021 was supported by a more stable exchange rate which allowed for the preservation of value.

Companies were also able to access funding via the auction market which improved production and product availability. For exporting companies, the firm global commodities prices helped drive earnings, which export competitiveness improved based on an easing currency.

The growth in earnings was, however, lower particularly in 2022. Companies face the same challenges and these are mostly centred on the macro environment. Earnings for the 2022 period were grossly affected by currency devaluation and reflected through monetary loss and unrealised gains on foreign currency-denominated cash holdings. The 2021 financial period saw a decline in unrealised monetary gains or losses, due to a more stable environment.

A major macroeconomic factor which may have a bearing on financial performance for the remainder of the year is the interest rate and currency stability. We also expect a more discrete fiscal policy with liberal measures, to kick in as we head into an election year. These factors are likely to help boost listed companies' performance in the interim although fundamentally the core will remain weak due to fiscal instability.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This year's overall winner has remained a market leader not only for its industry but for the Zimbabwe Stock Exchange as a whole. The scale of investment in its capacity, market share recovery and innovation is unmatched. The company has weathered the storm to report its best volume performance in history achieving the highest revenue for any listed company, under a very volatile macroeconomic environment.

1st Runner up
- Simbisa Brands Limited

The 1st Runner-up has shown great resilience and innovation in a turbulent time, characterised by Covid-19 and global geopolitical tensions, particularly the Russia, and Ukraine war and the attendant challenges of supply chain disruptions and reduced operating hours. Despite these challenges, the company has continued to grow its store count across the region, innovated around delivery and offered value to customers, in turn spurring its earnings. Simbisa Brands Limited is this year's first Runner-up based on its earnings performance and extraordinary recovery.

2nd Runner-up
- Masimba Holdings Limited

The infrastructure agenda being rolled out by the government has spring-boarded fortunes for this particular listed company. The company has largely maintained a stable growth performance over the years anchored on a diversified order book and strong balance sheet enabling it to fulfil its firming order book across varied sectors. In the year under review, the company's profitability significantly improved, anchored on a strong order book. It is exactly 10 years since a major shift at the company, which saw a change in shareholders, management and company name, but to date, the company has shown that it is not only able to survive but also grow through value unlocking and expansion.

Best Technology and Innovation Award
- African Distillers

In the period under review, the company expanded its production capacity by adding new lines to its wine catalogue, effectively localising the production of one of the most demanded wine brands in line with the evolution of wine demand in Zimbabwe.

These investments follow another major 2015 investment in a production plant for ciders. These collective manoeuvres have not only improved margins but also product availability while sparing foreign currency. The winner is African Distillers, a subsidiary of Delta Corporation Limited.

1st Runner Up
- Dairibord Zimbabwe Holdings Limited

With its long-serving CEO stepping down - the company has churned out arguably the highest number of new products on the market since the CEO assumed office. As the CEO exits, the company continues to innovate by introducing new products and expanding its capacity in the milk and beverages lines.

2nd Runner up
- Simbisa Brands Limited

The company's business was under threat due to Covid-19, but innovation has helped it not only retain customers but expand the base through convenient deliveries. In Kenya, the company's earnings shot by double-digit last year owing to a growing delivery business base. In Zimbabwe, the delivery business swelled by 60% year on year helping swell revenue. It is evident that this kind of innovation is in line with future trends in retail.

Sustainability

Environmental Sustainability Award
- Tanganda Tea Company Limited

The adoption of renewable energy is one of the key tenets of sustainability and the broader Sustainable Development Goals by the United Nations. It is even more paramount in light of the deficits in power generation across the Sub-Saharan African region, particularly in our own backyard.

Building own capacities to match demand is not only paramount for profitability but the sustainability of operations. Recently listed Tanganda Tea has invested in a 4,4 Megawatt solar plant to power its Estates in the Eastern Highlands and is this year's winner for the Environmental cluster of Sustainability.

Social Cluster Award
- Innscor Africa

The company has one of the highest employment levels in Zimbabwe running into several thousands. Its presence in the community is multifaceted and includes sustained downstream sector support through contract farming, in turn supporting a higher number of families across the country. Its acquisition of smaller companies has also allowed for scaling up and value unlocking for the companies it has acquired over the years.

Corporate Governance Award
- Bindura Nickel Corporation

Most companies are still to catch up on governance tenets as espoused by the ESG global standards. Most local companies disclose as much information about their operation only enough to meet regulatory thresholds but at the disadvantage of the shareholder and other stakeholders. Transparency and disclosure are key aspects of governance that promote sustainability. This year's winner is Bindura Nickel Corporation for its levels of financial information disclosure.

Corporate leader of the Year
- Itai Pasi - CFI Holdings

After massive turbulence that threatened to ground the suspended and under judicial management company, this particular organisation has gradually re-emerged living up to its billing as one of the most promising assets on the ZSE. From boardroom squabbles to emerging from judicial management to reporting firm profitability, the company has steered clear of its troubled past and all this could not be possible without a capable leader. The youthful leader has led the reorganisation of the company and an organically led re- emergence. CFI Holdings chairperson Itai Pasi is this year's winner.

Congratulations!

to the 2022 Zimbabwe Quoted Companies Survey Winners

The Board, Management and Staff of the Zimbabwe Stock Exchange Limited (ZSE) congratulates all the winners of the 2022 Zimbabwe Quoted Companies Survey.

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Delta

As the biggest company on the Zimbabwe Stock Exchange (ZSE), Delta Corporation has shone the light through resilience in turbulent times and innovation for growth, in times of relative stability.

Delta's value accretive is an offshoot of its asset base expansion, which has been stimulated by a combination of investment in expanded capacity and a new production line as well as the acquisition of local and regional assets to complement its capacity, in the process diversify markets and unlock further shareholder value. From its lowest ebb in the full year to March 2020, over which the company recorded 4,6 million hectolitres in sales volumes, the company has rebounded strongly to report an all-time high sales volume of 9,3 million hectolitres over the 12 months period to March 2022.

In 2021, the company recorded 6,6 million hectolitres in sales which was in line with historical averages. However, in 2022 sales volumes increased by 41% to 9,3 million hectolitres. The significance of this movement is that it has resulted in a more than doubling of income from 2010 levels of about US$161 million to about US$612 million in 2022. Over the 12-year period turnover levels have increased at a Constant Average Growth Rate (CAGR) of 12% per annum. However, a study of the volume trend shows that it has not always been a smooth steady sail up the curve.

Late in dollarisation volumes struggled to grow, easing off in 2017, as currency disparities kicked in amid forex shortages and tighter supply-side economics. In 2018 ahead of elections, massive election spending redeemed volumes but a 2019 austerity programme, which ushered in a de-dollarisation resulted in massive volume loss as inflation kicked in massively derailing volumes. It was not only aggregate demand which plummeted with purchasing power erosion but also supply-side bottlenecks, particularly on imported raw materials. Delta together with its supply partners faced challenges in sourcing imported raw materials as RBZ struggled to manage the forex rationing system.

Through all the turbulence, Delta underwent some massive restructuring. More fundamental was the consolidation of SABMiller into AB in Bev, post the latter's acquisition. The disposal of some non-core and competing assets also impacted Delta, particularly with regard to bottling rights for The Coca-Cola Company (TCCC). SABMiller's former operations were predominantly on the Sub-Saharan Africa front, mainly South Africa, Kenya, and Zimbabwe. However, the material effect of the intended withdrawal did not kick in as an extension of rights was negotiated. This in essence meant that the Delta operation as it had been under SABMiller combining both sparkling beverages and lager beer, was to remain.

This is particularly important in that it meant that the business continued to receive massive Capex support and enjoy scale, helping it retain market leadership in the core market of Zimbabwe. More materially, at the order of the South African Competition Commission, SABMiller was ordered to dispose of its stake in Distell before the merger with AB In Bev. In the process, the structuring at Stellenbosch based Distell, its wines and spirits maker in turn resulted in the disposal of its stake in Zimbabwe spirits and winemaker, African Distillers. The stake was sold to Delta which increases its shareholding in Afdis from 10% to about 49%, consequently making it a subsidiary, from associate status.

The processes of restructuring as a consequence of the merger also resulted in the offloading of National Breweries by AB In Bev, which Delta also snapped in 2018. The company produces sorghum beer for the Zambian market but has largely struggled over the last five years. Delta also snapped up United Breweries South Africa, a sorghum beer manufacturer, from Diageo, which is the world's largest spirits marker positioning it as the most consequential sorghum beer manufacturer in Southern Africa.

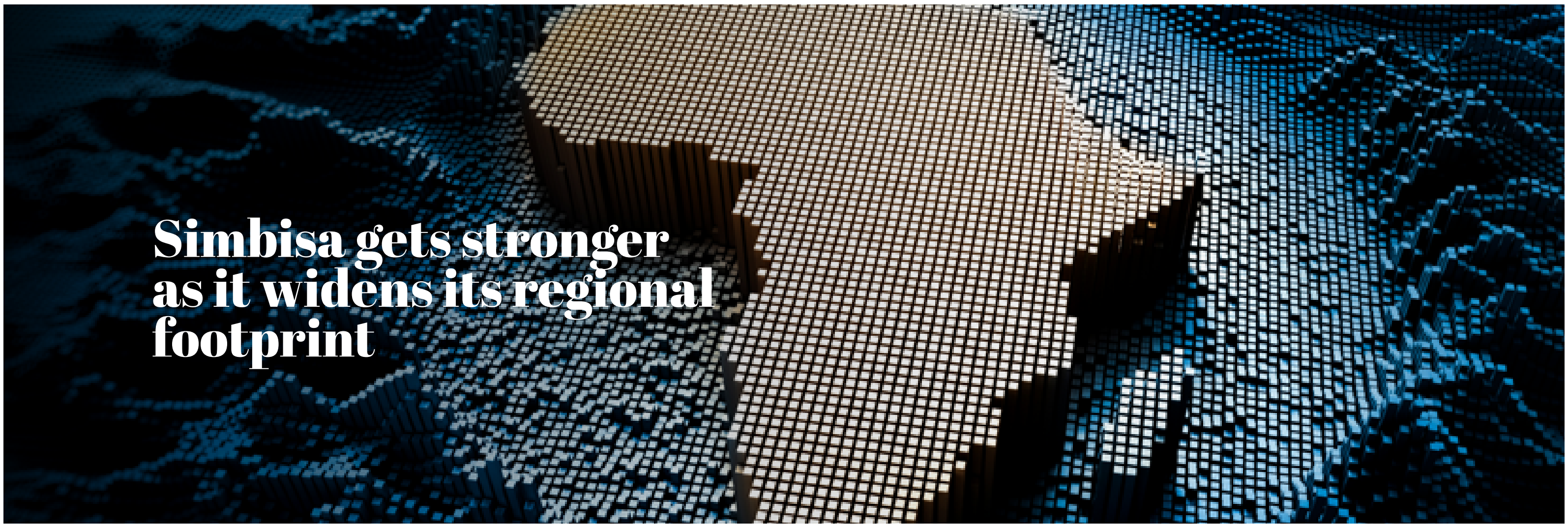
In the full year to March 2022, UBS reported total sales volumes of 1,3 million hectolitres, which was a growth of 63% over the prior year. The unit contributed 14% to total sales volumes for the group in the period under review which helped the company report its best volumes performance on record. Also underpinning the record performance is a 43% growth in volumes in the Zimbabwe unit, which accounted for 40% of total sales and remains the largest contributor of the three markets.

While growth appears to all be inorganic given the various acquisitions, the reality is that of a two-pronged approach where local capacity with the Chibuku line has extensively grown over the years. In 2014, a US$12 million investment into the Chitungwiza plant, ramped up total capacity to 1,8 million hectolitres. In 2015, a US$17 million investment at the Fairbridge plant in Bulawayo resulted in a capacity expansion to 3,5 million hectolitres. A further US$26 million was laid out in 2016, for the setting up of two sorghum beer plants in Kwekwe and Masvingo. An additional plant was set up in Rusape adding to local capacity, while the bottling rights extension allowed for the acquisition of Mutare Bottling Company. According to an analysis by Equity Axis, moderation of the financial performance where volumes are concerned shows that after factoring out Zambia, South Africa and the investment in Afdis, volumes will still top seven million hectolitres for the 12 months period to March, still a record high for the company which has in the past hit a top of 6,8 million hectolitres, that is early into dollarisation.

It is not only the sorghum beer segment which has made a difference in Delta's performance. It is also the rebound in sparkling beverages, which has struggled since de-dollarisation, both supply and demand side factors have weighed on the performance of the unit's performance in the past. Forex shortages impacted supply chains and resulted in low product availability at a time when competition intensified in offering value packs. Improved product availability and the rebounding demand post-recession have driven the unit to one of its best growth performances. Sparkling beverages volumes jumped 65% in the 2022 financial year to near-record levels.

Delta has experienced management changes over the review period outside of the volumes game. Matts Valela has just been one year into the top seat, as CEO and he delivered the performance of a lifetime. While he is to be credited, it is the deliberate strategy and vision of Delta, supported by its deep-pocketed majority shareholder, which has allowed for sustained growth in value and performance over a longer duration. It is, however, not all rosy at Delta as the company continues to struggle to turn around the Zambia business which has been reporting losses since its acquisition.

Likewise, the business has been tilting in favour of low-margin sales and this has a consequence on profitability assuming costs are held steady. It is equally challenging to manage costs in a volatile environment, which has been characteristic of its primary market in Zimbabwe. Overall the dominance of Delta in the local market cannot be avoided and its strong showing in terms of revenue performance puts it in a league only a few can be counted in. It is an easy guess that the company's next milestone over the next four years is a record US$1 billion in sales, which will be achieved with little additional acumen.



Simbisa gets stronger as it widens its regional footprint

Simbisa is an offshoot of ZSE-listed Innscor, whose name is derived from Simbisa's (then a subsidiary) Quick Service Restaurants business. In 1998 Innscor was listed on the ZSE utilising the QSR business to spread its footprint into Africa as a diverse Pan-African operation. Fast forward to 2022, Simbisa now operates in nine countries which include Zambia, Kenya and Mauritius. At one point the company operated in 11 African countries and even explored a cross-continental partnership and listing on the London Stock Exchange (LSE).In Kenya, a fast-growing market, Simbisa asserted its position as the market leader expanding its stores' footprint by 38 stores in 2022 to 206. Last year, the company reported that it

As a Pan-African entity, Simbisa retains its roots in Zimbabwe where it derives about 50% of its turnover.

operated 40 Chicken Inns, (three of which were drive-throughs), 47 Pizza Inns, 34 Creamy Inns, 16 Galitos and five Bakers Inns in Kenya. Revenues in the respective market grew by 33% in real terms on the back of a 32,8% increase in customer count and a 5% increase in real spend per customer.

Part of the growth story in the Kenyan operation lies in the splurging delivery business Kutuma Kenya, which has been working on improving efficiencies. The sub-unit now contributes over 25% to total unit revenue. In furthering the delivery business' fortunes within the Kenyan market, a strategic decision was made to transition Pizza Inn Kenya to deliver exclusively on the Dial-a-Delivery platform, effective September 1 2022.

This will go a long way in bolstering Simbisa Kenya's earnings performance. Simbisa's strategy is that of expanding the Zimbabwe and Kenyan markets more rapidly with 75 stores scheduled to be opened between the two countries, in the current financial year.

The company is also focused on increasing revenue streams within the two markets through delivery channels and growing the market share through new store openings.

Simbisa said it will pay particular attention to penetrating the market in areas currently under-serviced by its chain, particularly in small towns and high-density areas. Several Chicken Inn drive-throughs are in the pipeline. In Zimbabwe, the group is exploring introducing the drive-through concept for other brands such as Nando's and Steers.

It has not been all rosy for Simbisa over the years; the company has had to restructure some of its stores by closing some in areas where viability was no longer present. This has especially been so in Zambia and DRC which have been exposed to economic volatility over the years.

Simbisa also failed to see through the acquisition of a United Arab Emirates (UAE) fast food operator Foodfund, which is a family-owned business. The deal was to be consummated utilising a placement of shares on the LSE, where the group sought a secondary listing. The deal failed to materialise as the company cited a lack of shareholder buy-in.

What made Simbisa an outlier in the period under review is its strong financial showing, which has shaken off the adverse impacts of Covid-19 that dragged some businesses into oblivion.

The company reported an overall 76% surge in inflation-adjusted earnings and a 71% attributable profit growth over the period. The strong showing is largely a result of growth in customer count, increased spending per count and the expansion in footprint evidenced by the surge in the number of stores.

Simbisa has announced an intention to migrate to the Victoria Falls Stock Exchange from the Zimbabwe Stock Exchange and this too will help drive future growth, given the need to attract foreign currency capital for expansion in the future as well as the various incentives tabled by the Treasury.

Masimba Holdings

FOLLOWING the exit of Murray & Roberts, a renowned Pan-African engineering and construction company in 2012, the market had no high hopes for Masimba, which immediately entered a new phase, changing its name and taking the new strategic vision of the new shareholders.

The shareholders under Zumbani Capital were largely indigenous and soon steered the ship to stability and growth. A few years later, Masimba gave birth to Proplastics, a construction materials-focused entity, through a spinoff. The spinoff company was later separately listed on the Zimbabwe Stock Exchange (ZSE). Masimba stands out in the current year due to its financial outperformance in large part driven by a strong balance sheet and order book.

In the six months period to June, its revenue grew by

52% to ZW$9,6 billion

as it reported a firm order book in mining, infrastructure and road projects.

The company is involved in the construction of the Harare - Beitbridge Road. A key takeaway from the group's income performance was that half of it was earned in forex. The ratio is set to increase given the government's deliberate move to pay some of its creditors in forex, particularly the contractors working on its road infrastructure projects.

This is a strategic benefit for Masimba, which will allow it to meet all its import requirements using internally generated funds and avert the challenges associated with the auction market. There has, however, been an improvement in forex availability on the market as well as currency stability which should both help grow the order book as some suspended projects resume. A stronger balance sheet position has allowed Masimba to cover the cash flow gaps created by delayed payments by the government.

Masimba Timeline Chart

1934
Douglas Roberts, a civil engineer, starts Roberts Construction in South Africa.

1950
Roberts Construction awarded Victoria Falls Hydro Electric Power contract.

1951
Roberts Construction Rhodesia registered as a property development company.

1965
Promat, now known as Proplastics, was established as a subsidiary of Roberts Construction to manufacture and supply complete plastic pipe systems.

1974
After IPO, Roberts Construction rebranded and listed on the stock exchange as M&R.

1980
M&R (Rhodesia) Limited rebrands to International Holding Limited.

1997
International Holdings Limited rebranded to Murray & Roberts Limited.

1997
M&R SA reduces its shareholding from 65% to 46,5%.

2012
M&R SA sells 46,46% of shares to Zumbani Capital.

2013
M&R Zimbabwe rebrands to Masimba.

2015
Masimba unbundles Proplastics which subsequently separately lists.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