



**RURAL
ELECTRIFICATION
FUND**



2021

ANNUAL REPORT

Magetsi Kumusha / Amagetsi Ekhaya

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Group Performance Highlights

Financial Indicator	Inflation-Adjusted Accounting		Historical Cost Accounting	
	31 Dec 2021	31 Dec 2020	31 Dec 2021	31 Dec 2020
Revenue (ZWL)	4.9bn	3.6bn	3.9bn	1.5bn
Surplus (ZWL)	0.1bn	1.2bn	2.8bn	1.2bn
Total Assets (ZWL)	4.9bn	4.6bn	4.8bn	1.7bn

CORPORATE PROFILE

VISION

Universal access to sustainable modern energy services by rural communities in Zimbabwe by 2030.

MISSION

To implement and facilitate the provision and use of sustainable modern energy infrastructure to rural Zimbabwe through grid and alternative renewable energy technologies

OUR VALUES

Transparency - openness and communication

Integrity - adherence to fair and ethical principles

Empathy - feeling for others and providing needed support

Accountability - being responsive, responsible and answerable to stakeholders

Teamwork - working together for a common goal

Innovation - constantly finding new ways of doing things better in pursuit of excellence

Rural Electrification Fund is a statutory body governed by the Rural Electrification Fund Act (Chapter 13:20). Its main objective is to facilitate rapid and equitable electrification of rural Zimbabwe and promote productive use of electricity through:

- i) identifying and implementing rural electrification projects.
- ii) exploring funding modalities for the rural electrification programme.
- iii) playing a promotional and co-ordinating role for the electricity end use infrastructure development (EEUID) programme.

Sources of funding

REF's regulated sources of funding are:

- i) levies, together with any interest or surcharge payable thereon. The rural electrification levy is based on 6% of all electricity sales made by Zimbabwe Electricity Transmission Distribution Company (ZETDC);
- ii) any monies that may be payable to it from monies appropriated for the purpose by Acts of Parliament;
- iii) any loans, donations and grants made to the Fund by any person or authority or by any Government of any country, and
- iv) any monies that may accrue to it whether in terms of the Rural Electrification Fund Act (Chapter 13:20) or otherwise.

Brief Outline of REF's Operations

The day to day operations of the Fund are managed by the Rural Electrification Agency (REA), an implementing arm of the Fund. The Fund has a wholly owned Special Purpose Vehicle (also called, "subsidiary") known as Hotspeck Enterprises (Pvt) Ltd and the two are jointly called the Group. The mandate of Hotspeck is to supply treated transmission poles and cross-arms to the REF in furtherance of its mandate.

The Group's operations are inter-twined with those of ZETDC in that the Group builds the grid network infrastructure and hands it over to ZETDC at no consideration for connection to the national grid. ZETDC is the collecting agent for the rural electrification levy. Once the grid lines are energized, ZETDC takes over the

responsibility of operating and maintaining the built electricity grid network infrastructure.

The Group operates a decentralized organizational structure with offices in all the eight rural provinces of the country and a Head Office based in Harare. The advantage of the decentralized organizational structure is better accessibility by the target market.

Procurement of project materials and critical resources is done centrally at the Head Office in line with the prevailing procurement legislation which seeks to take advantage of economies of scale. Rural public institutions targeted for energisation are prioritized through the respective Provincial Development Committee, headed by the Provincial Development Coordinator who is a member of the Rural Electrification Fund Board of Directors. The process entails involvement of key provincial stakeholders.



Energy and Power Development Minister, Hon. Z. Soda commissioning a Grid project at Mutemakungu Primary School, Muzarabani District, Mashonaland Central Province

Non-Executive Directors



W. A. CHIWEWE
BOARD CHAIRMAN



C. CHITIYO
DEPUTY CHAIRPERSON



F. S. MBETSA
BOARD MEMBER



A. MARONGE
BOARD MEMBER



S. NCUBE
BOARD MEMBER



C. CHIRINGA
BOARD MEMBER



L.L. DHLAMINI
BOARD MEMBER



E. SEENZA
BOARD MEMBER



P. NDEMERA
BOARD MEMBER



N. F. CHIKONYE
BOARD MEMBER



T. KUTAMAHUFA
BOARD MEMBER



C.B.E. MUTSVAIRO
CORPORATE SECRETARY

“.... a chief adviser to the REF Board, a strategic managerial counsel and a catalyst for effective corporate governance”

Executive Management



Eng. J.V. MASHAMBA
CHIEF EXECUTIVE OFFICER



Eng. L. T. MKUCHA
PROJECTS DIRECTOR



Mrs. F. MAKUMBINDE
FINANCE DIRECTOR



Eng. C. NHANDARA
PLANNING AND
TECHNOLOGY DIRECTOR



Dr. L.T. CHIPUNZA
ACTING GENERAL
MANAGER (HOTSPECK)

INDEPENDENT AUDITOR

Grant Thornton Chartered Accountants (Zimbabwe)
Camelsa Business Park
135 Enterprise Road
Highlands, Harare

LEGAL ADVISORS

Muzangaza, Mandaza and Tomana Legal Practitioners
Mawire & Associates
Gill Goldlonton and Gerrans

REGISTERED OFFICE

6th Floor Megawatt House
44 Samora Machel Avenue
HARARE



Mhari High School and other institutions electrified by REF in Mashonaland East using grid technology

RURAL ELECTRIFICATION FUND

HEAD OFFICE

Megawatt House
44 Samora Machel Avenue, Harare
P. Bag 250A, Harare
Tel: (0242) 791725/29 /798080 /795002/ 791732
Fax: 04-707667, 708067



Magetsi kumusha / Amagetsi Ekhiya

OUR REF:.....REF/2021/annual report

YOUR REF:.....

WHEN CALLING WITH REFERENCE TO
THIS LETTER PLEASE ASK FOR:

Eng. J.V. Mashamba

15 November 2022

The Honourable Minister, Cde Z. Soda (MP)

Ministry of Energy and Power Development
2nd Floor John Boyne Building
HARARE

Dear, Honourable Minister

ANNUAL REPORT AND AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER 2021

I have the honour of submitting the Annual Report and Audited Financial Statements for the Rural Electrification Fund for the year ended 31st December 2021 as required by section 24 (1) (a) of the Rural Electrification Fund Act (Chapter 13 : 20).

Yours sincerely
For and on behalf of the Rural Electrification Fund

W. A. Chiwewe
REF Chairman

Board Members: W. A. Chiwewe (Chairman); C. Chitiyo (Vice Chairperson); F.S Mbetsa; L. L Dhlamini; A. Maronge; C. Chiringa; E. Seenza; S. Ncube; T. Kutamahufa; P. Ndemera; F. N. Chikonye; J. V. Mashamba (Chief Executive Officer)

CHAIRMAN'S STATEMENT

"REF's long-term strategy draws inspiration from Vision 2030, National Development Strategy 1, Sustainable Development Goals and the Africa Agenda 2063"



Willard A. Chiwewe: Rural Electrification Fund Board Chairman

On behalf of the Board of Directors, it is my privilege and honour to present to you the Annual Report for REF for the year ended 31st December 2021.

OPERATING ENVIRONMENT

The trajectory of the economy was well on its recovery in 2021, mainly boosted by higher agricultural and mining production and improved capacity utilization in industry, however marred by fluctuating exchange rates and rising inflation, thereby affecting REF's operations. This significantly impacted on projects budget, fundraising initiatives and cost containment strategies.

The Fund's strategic focus for 2021 was premised on two programmes that were commissioned at the onset of the year to guide performance management. These were Policy and Administration, and Rural Energisation. Sadly REF was not immune to the global challenges such as Covid-19 which adversely affected its operations and its staff physically and emotionally.

CONTRIBUTION TO VISION 2030

In 2021, the government undertook critical fiscal and monetary policy reforms that enhanced discipline and confidence in line with the National Development Strategy 1 (NDS 1) towards the achievement of Vision 2030.

REF expects to benefit immensely from the fiscal stabilisation measures and the anticipated decline in inflation as it seeks to mobilise funding for electricity infrastructure development in support of the NDS 1 and Vision 2030.

DEVOLUTION AGENDA

Mindful of the government's Devolution Agenda, REF continued to take a national outlook in its operations as evidenced by its physical presence in all provinces across the country. This is expected to accelerate collaboration between the REF and local authorities as well as with other players in the electricity infrastructure value chain including the private sector and non-governmental organisations.

The REF remained steadfast in the execution of a national programme to fulfil its mandate of promoting economic development and growth, and the improvement of the living standards of rural Zimbabweans through the provision of cost-effective and sustainable modern energy services.

REF'S STRATEGIC PLAN

During the period under review, REF continued to deliver on its mandate based on its Strategic Plan (2021-2025) which places focus on ensuring that all rural communities of Zimbabwe will have access to modern energy services by the year 2030. The REF's energy programmes are inspired and guided by its Strategic Plan, NDS 1 and the United Nations Sustainable Development Goals (SDGs).

Drawing from this compass provided in government policy documents such as the National Energy Policy (NEP), National Renewable Energy Policy (NREP) and the NDS 1, REF reviewed its operations and came up with options to mitigate the challenges affecting service delivery, viability and sustainability.

OPERATING PERFORMANCE

As already alluded to, REF's operating performance was marred by a challenging operating environment which the country experienced. Due to shortage of capital and long term investment opportunities in the country and other bottlenecks, the REF programme experienced a myriad of challenges. The 6% rural electrification levy and fiscal allocations from treasury, which hitherto, have constituted 98% of the funding for the REF programme since inception, have not been adequate to achieve the desired rate of project implementation.

Lack of access to power in rural areas has adversely affected the standard of living among rural communities, service delivery in rural public institutions such as schools, clinics and commercial enterprises, productivity on farms and economic growth in general.

Following the COVID-19 tainted environment, REF was faced with some cash flow constraints and foreign currency shortages throughout the fiscal year ended 31st December 2021. Reduced revenue collections left the Fund in a difficult financial position and in the process adopted an aggressive cost-reduction strategy. In addition to the cost-reduction opportunities that were available under capital expenditure, staff costs and administration expenses, the organisation also made a concerted effort towards revenue maximisation in a bid to fulfil its mandate.

REF and its subsidiary, Hotspeck Enterprises (Pvt) Ltd, "the Group", were subjected to a macro-economic environment that was characterised by some liquidity challenges and negative external factors, which adversely impacted on the ability of the Group to mobilise foreign currency and funding from both the local and international capital markets.

In the year 2021, total revenue for the group increased from ZWL1.5bn recorded in 2020 to ZWL3.9 bn as at 31st December 2021. This was attributable to tariff reviews and improvement in energy supply that resulted in reduction in load-shedding and the increase was equivalent to 160%.

Overall, the Group made a surplus of ZWL2.8bn in the year ended 31st December 2021 using historical cost accounting. This surplus reflects billed rural electricity levy and committed funds as well as the timing difference for the implementation of energy programmes.

Despite the adversity of foreign currency shortages, the Group managed to energise 233 institutions with grid and commissioned 3 biogas plants. No project was energised using solar. The 2021 grid network performance was 81% of the target. Also, 217 grid projects, 8 biogas digesters and 8 solar plants were in progress. As at 31st December 2021, REF had electrified a total of 9,790 rural institutions since its inception.

CORPORATE GOVERNANCE

The Board sets the direction of the Fund through the establishment of strategies and measurable objectives to ensure the effective and efficient execution of its mandate. The Board recognises the importance of good corporate governance and is committed to conducting the business of the Fund with integrity and in line with best corporate governance practices.

INTERNAL AUDIT

Effective risk management will continue to be a key focus area for the Group and the Board will continue to demonstrate its commitment to the enterprise-wide risk management which provides strong controls in managing risk, improving performance, enhancing good governance, instilling stakeholder confidence and strengthening the overall reputation of the Group.

OUTLOOK

Going forward, the Fund stands ready to collaborate and harness partnerships towards the provision and delivery of adequate, reliable, affordable and sustainable energy services in support of economic growth in the rural areas of Zimbabwe. As a Fund, we will continue to pursue all available turnaround strategies in support of the Vision 2030. There are a number of challenges including REF's ageing fleet of project vehicles and the associated high maintenance costs, and difficulties in accessing funding for modern energy expansion projects which will be carefully managed so as to achieve REF's mandate as well as its vision.

As a Board, we acknowledge that despite the uncertainty in the operating environment, as well as the pandemic that lurks on the edges, the Fund is well on the right path towards the attainment of its 2030 goals and objectives.

RISK MANAGEMENT

In the period under review, and going into the future, the Group continues to maintain a distinct Internal Audit section whose function is to provide independent, objective assurance and consulting services designed to add value and improve its internal control environment.

The mission of internal audit is to enhance and protect organisational value by providing risk-based audits and objective assurance, advice and insight. The Fund's Internal Audit operates within the framework of its approved Audit Charter and Audit Plan.

CORPORATE SOCIAL RESPONSIBILITY

To support the growth and capacitation of the energy sector, the Fund continued to provide attachment opportunities for university students studying in various disciplines. This was in addition to the graduate trainee programmes offered by the Fund in recognition of its Corporate Social Responsibility.

APPRECIATION

I take this opportunity to sincerely thank all our valued stakeholders for their continued support on the rural electrification programme. I also extend my profound appreciation to the Ministry of Energy and Power Development, other supporting government ministries and developmental agencies, fellow directors, management and staff for their sterling effort, hard work and dedication towards the attainment of REF's mandate during the year 2021. Together, I am confident that we will deliver REF's mandate and its vision of ensuring universal access to modern energy services by rural communities by the year 2030. I thank you.



W. A. CHIWEVE
REF BOARD CHAIRMAN



Eng. J. V. MASHAMBA
(Chief Executive Officer)

CHIEF EXECUTIVE OFFICER'S STATEMENT

"REF strives to deliver on its mandate by balancing rural energy infrastructure development with financial sustainability"

Performance Review for the year ended 31st December 2021

1.0 INTRODUCTION

The year ended 31st December 2021 was characterized by a myriad of operational challenges which adversely impacted on REF's operating performance. Despite COVID-19 and foreign currency shortages that prevailed in the environment among other challenges, REF managed to register some positive results in the period under review.

2.0 RURAL ENERGISATION PROGRAMME

2.1 OVERVIEW

A total of **233** institutions were electrified through grid extension during the period under review. Institutions electrified during the year composed of 65 Primary Schools, 33 Secondary Schools, 13 Rural Health Centres, 8 Chiefs, 38 Business Centres, 11 Farms, 32 Villages, 1 Government Extension Office, and other 32 projects. This was against a target of **289** institutions giving a performance of **81%**. Three (3) biogas digester plants were completed during the year, against a target of 11. Work was in progress on 217 institutions being powered by grid, 8 Community Solar Mini Grid systems and 8 biogas digester plants.

2.2 ELECTRICITY GRID EXTENSION

2.2.1 Completed Projects

Table 1 below shows the nature of the 233 institutions that were electrified in the various Provinces and handed over to ZETDC during the year.

Table 1: Statistics of Institutions Electrified from 1 January to 31 December 2021

Province	Prim School	Sec School	RHC/ Clinic	Gvt, Ext	Chief	Bus. Centre	Farm	Village	Other	Total	Reviewed Target
Manicaland	16	5	3	0	4	8	4	11	10	61	51
Mash Central	2	4	0	0	1	2	2	1	0	12	28
Mash East	5	1	2	1	0	2	4	4	5	24	37
Mash West	10	9	2	0	0	0	1	2	0	24	31
Masvingo	12	3	2	0	0	4	0	6	4	31	45
Mat North	5	5	0	0	1	0	0	2	1	14	27
Mat South	6	2	3	0	1	20	0	2	4	38	29
Midlands	9	4	1	0	1	2	0	4	8	29	41
Total	65	33	13	1	8	38	11	32	32	233	289

This reflects 81% performance in terms of the number of institutions energised compared to target.

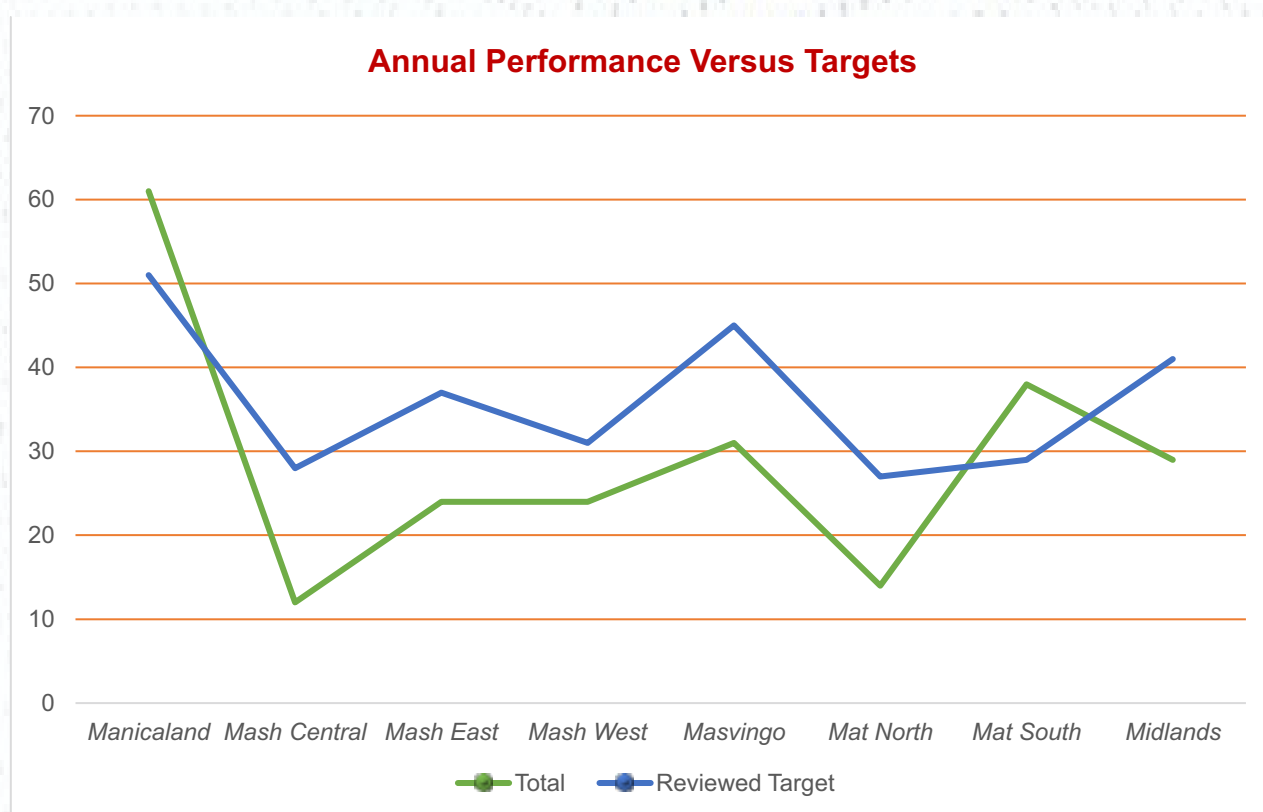


Fig 1: Annual Performance versus Targets

2.2.2 Comments on Performance

- (i) **Covid-19:** The year 2021 started on a sad note with the organization losing two of its senior officials to the covid-19 pandemic. Numerous infections among staff were recorded and sadly another member of staff succumbed to covid-19 during the course year. Covid-19 severely affected REF's performance, particularly in the field, given that line gangs operate in large groups of 12 to 15 people. Time was lost through employee testing, fumigations and quarantines. In mitigation, the organization continued to strictly adhere to WHO and government guidelines.
- (ii) **Levy:** Levy inflows remained depressed and inadequate to meet the organisation's operational requirements. This was further exacerbated by ZETDC's failure to remit all of the levy collected and due to REF. In mitigation the organization continued to engage ZETDC on levy remittance.
- (iii) **Transformers:** Transformers remained a big challenge as suppliers failed to meet REF's requirements due to foreign currency shortages. Local manufactures of transformers do not produce adequate numbers. The strategy employed by the organization to get damaged transformers repaired by ZENT and HIT did not bear much fruit as the two organisations failed to deliver as per expectation.
- (iv) **Conductor:** Although there was an improvement in the supply of conductor during the period under review, the quantities remained inadequate due to cash flow constraints.
- (v) **Wood poles:** Supply of wood poles remained depressed. Our subsidiary, Hotspeck Enterprises (Pvt) Ltd which is our main supplier of wood poles for the Rural Electrification programme faced challenges of raw materials throughout the year.
- (vi) **Operational Vehicles:** The situation on operational vehicles remained critical, with a sizeable number having out-lived their economic useful life. The fleet was susceptible to frequent breakdowns which resulted in serious disruption of operations during the period under review. In mitigation the organization started the process of procurement of operational vehicles to replace the old fleet. The vehicles to be procured will include specialized vehicles such as Auger Trucks. Vehicle replacements will be done in phases, subject to availability of funding.

- (ii) **Diesel Fuel:** Availability of fuel purchased in local currency remained a challenge throughout the year. NOIC and CMED came in handy in the period under review though the arrangement was not smooth as the two organizations sometimes ran out of fuel. Also transporting diesel fuel to provincial offices posed a challenge. In mitigation, REF initiated the procurement of fuel tanks to be installed at all REF provincial offices to facilitate bulk procurement and easy accessibility by the provincial offices.
- (iii) **Back-borne Lines:** A number of backbone grid lines across the country have remained faulty and unrepaired over a number of years, resulting in REF failing to energize completed projects or to embark on new projects in these areas. Despite the engagements with ZETDC at various levels, the majority of faulty lines remained unrepaired during the year.
- (iv) **Projects Labour:** The progress on biogas was slow and the major handicap was the non - availability of qualified biogas digester builders. Most builders were citing unattractive remuneration rates being offered by REF as a key factor which turned them off. When it comes to grid projects, most experienced line crews were opting to work for private contractors where they would be remunerated in foreign currency. Going forward, biogas builders will be engaged on a long-term basis and their remuneration will be improved.

2.2.3 Grid Works

Table 2 below shows the projects that were completed during the period 1 January to 31 December 2021 against the projects which were ongoing in the respective Provinces.

Table 2: Projects completed during the period under review versus outstanding works.

Province	Number of Institutions Electrified	Outstanding Institutions in Progress
Manicaland	61	38
Mashonaland Central	12	40
Mashonaland East	24	41
Mashonaland West	24	23
Masvingo	31	32
Matabeleland North	14	19
Matabeleland South	38	12
Midlands	29	12
Total	233	217

Completed vs. Outstanding Institutions

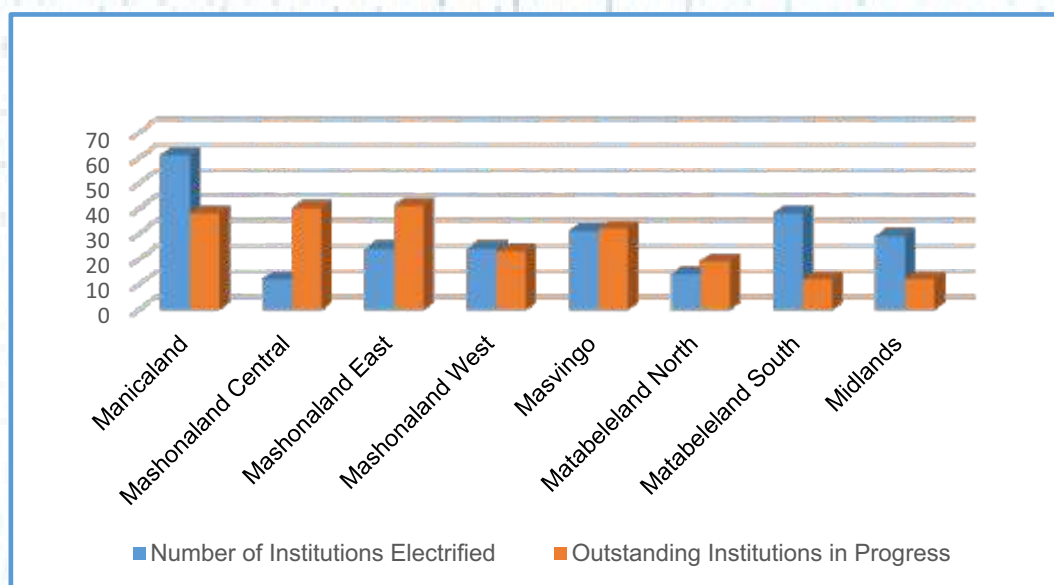


Fig 2: Graph of completed projects versus outstanding institutions.

As at 31 December 2021, REF had completed 233 projects and 217 were in progress across the provinces and the focus for the year 2022 will be to complete all the projects carried over from 2021. Table 3 below shows the detailed scope of the projects completed in 2021.

Table 3: Scope of Works Energised in the year 2021

Province	No. of Institutions	SCOPE OF ENERGISED WORKS			
		33KV Line (km)	11KV Line (km)	MV Line (km)	Total Substation Capacity
Manicaland	61	59.5	24.71	25.16	1,250
Mashonaland Central	12	0.07	8.3	4.08	465
Mashonaland East	24	22.43	11.82	10.4	1,445
Mashonaland West	24	18.7	56.4	12.66	1,100
Masvingo	31	0.12	55.93	20.5	685
Matabeleland North	14	38.4	27.3	4.55	400
Matabeleland South	38	26.14	29.14	12.61	600
Midlands	29	7.41	18.6	13.9	3,570
Total	233	172.77	232.2	103.86	9,515

2.2.4 Grid Works In Progress.

As at 31 December 2021, work was in progress on grid extension lines to connect 217 institutions. Out of the 217 institutions where works were in progress, work was being disrupted by erratic supply of various materials mainly transformers, conductor and treated poles. Also, another impediment arose from depleted operational vehicles as well as inadequate labour, as cited above.

Table 4: Institutions where works were in progress as at 31 December 2021

Province	Prim School	Sec School	RHC	Govt. Ext. Office	Chief	Bus. Centre	Farms	Village	Other	Total
Manicaland	12	8	4	0	0	8	1	4	1	38
Mash Central	13	5	5	6	0	4	0	0	7	40
Mash East	14	7	4	4	2	4	3	2	1	41
Mash West	8	3	1	1	2	1	1	6	0	23
Masvingo	12	5	4	2	2	4	0	2	1	32
Mat North	9	3	5	1	0	0	0	0	1	19
Mat South	2	1	0	0	0	9	0	0	0	12
Midlands	5	1	2	0	0	0	0	2	2	12
Total	75	33	25	14	6	30	5	16	13	217



50KVA Pole mounted Substation erected by the Rural Electrification Fund



REF showcasing at Harare Agricultural Show

2.2.4 ELECTRIFICATION STATUS OF RURAL SCHOOLS AND HEALTH INSTITUTIONS AS AT 31 DECEMBER 2021

Table 5 below shows the electrification status of rural schools and health centres. The statistics include work done by REF, ZESA and other players. They also include institutions where solar micro grid systems have been installed. The statistics exclude institutions in urban settlements that are under Rural District Councils (RDCs).

TABLE 5: NATIONAL STATISTICS ON THE ELECTRIFICATION STATUS OF RURAL SCHOOLS AND HEALTH CENTRES AS AT 31 DECEMBER 2021

PROVINCE	NO. OF RURAL PUBLIC INSTITUTIONS				TOTAL ELECTRIFIED				OUTSTANDING PUBLIC INSTITUTIONS				PERCENTAGE COMPLETION (%)			
	Primary Schools	Secondary Schools	Clinics	Total	Primary Schools	Secondary Schools	Clinics	Total	Primary Schools	Secondary Schools	Clinics	Total	Primary Schools	Secondary Schools	Clinics	Aggregate Total
Manicaland	839	382	274	1495	591	314	269	1174	248	68	5	321	70	82	98	84
Mash Central	497	218	145	860	392	165	118	675	105	53	27	185	79	76	81	79
Mash East	658	308	189	1155	435	217	131	783	223	91	58	372	66	70	69	69
Mash West	682	328	109	1119	426	182	88	696	256	146	21	423	62	55	81	66
Masvingo	848	349	188	1385	391	244	164	799	457	105	24	586	46	70	87	68
Mat North	555	162	107	824	319	119	98	536	236	43	9	288	57	73	92	74
Mat South	503	149	125	777	337	135	126	598	166	14	0	180	67	91	100	86
Midlands	742	317	204	1263	343	229	196	768	399	88	8	495	46	72	96	72
Total	5,324	2,213	1,341	8878	3,234	1,605	1,190	6,029	2,090	608	152	2,849	61	73	89	74

Table 6: NATIONAL STATISTICS ON THE ELECTRIFICATION STATUS OF RURAL INSTITUTIONS DONE BY REF AS AT 31 DECEMBER 2021

Province	Primary Schools	Sec. Schools	Rural Health Centres/Clinics	Govt. Ext Offices	Chieftainships		Business Centres	Small Scale Farms	Villages	Others	Total electrified to Date
					Grid	Solar					
Manicaland	503	262	183	75	34	0	212	72	341	160	1,842
Mashonaland Central	387	181	107	47	26	2	133	141	53	119	1,196
Mashonaland East	323	184	114	36	34	2	116	173	187	182	1,351
Mashonaland West	412	176	80	39	24	4	63	212	124	69	1,203
Masvingo	346	217	144	69	36	1	176	53	186	107	1,335
Matabeleland North	305	131	83	64	36	7	99	25	23	74	847
Matabeleland South	311	121	87	53	28	0	124	22	132	84	962
Midlands	253	144	102	36	41	5	101	110	190	72	1,054
Total	2,840	1,416	900	419	259	21	1,024	808	1,236	867	9,790

2.3 SOLAR PROGRAMME

2.3.1 Community and Institutional Solar projects

As at 31 December 2021, the total number of institutional solar projects installed by REF since the inception of the institutional solar programme in 2007 stood at four hundred and twenty-nine (**429**). Eight (8) community solar projects were in progress and 24 institutional solar projects were at planning stage, as shall be explained in detail under Section 3.3 below.

2.4 INSTITUTIONAL BIOGAS PROGRAMME

2.4.1 Completed Projects

Three (**3**) biogas digester plants (*at St Faith Mission in Manicaland Province, Fatima High School in Lupane District of Matabeleland North Province and Beitbridge District Hospital in Beitbridge District of Matabeleland South*) were commissioned during the period under review.

2.4.2 Works in Progress

Work was in progress on eight (**8**) biogas digesters as at 31 December 2021 as shown below. In general, the progress on biogas was slow due to non - availability of biogas builders. Most builders were citing unattractive wage rates being offered by REF as a turnoff. In mitigation, going forward REF will engage biogas builders on a long-term contract basis. Biogas hole excavations also posed a challenge as some sites were rocky and required blasting. This resulted in substantial loss of time.



Biogas Digester under construction

Table 7 : Biogas Projects in Progress as at 31 December 2021

District	District	Name of Institution	Comments
Manicaland	Mutare	St Noah High School	Excavation in progress
Mash Central	Mazowe	Mazowe Prisons	Excavation in progress
Mash East	Mutoko	Nyamuzuwe High School	Dome construction in progress
	Wedza	Chemhanza High Schools	Piping and Stove Connection
Masvingo	Gutu	Serima Mission	Excavation in progress
Mat North	Umguza	George Silundika High School	Excavation in progress
Mat South	Matopo	Minda High School	Excavation
Midlands	Mberengwa	Chegato Mission	Piping and Stove connection

2.4.3 Status on Biogas Digester Plants

Table 8.0 below shows the status of institutional biogas digester plants constructed by REF since 2013.

Province	Number of Biogas Plants	Comments
Manicaland	11	
Mashonaland Central	11	
Mashonaland East	7*	<i>Includes the 1 Commercial biogas digester plant at Kotwa in Mudzi District</i>
Mashonaland West	5	
Masvingo	11	
Matabeleland North	11	
Matabeleland South	13	
Midlands	10*	<i>Includes the 2 Commercial biogas digesters plant at Mimosa Mine in Zvishavane District & Unki Mine in Shurugwi District.</i>
Harare	6*	<i>Includes one Commercial biogas at HIT completed in October 2017</i>
Total	85	



Biogas industrial stove used in Boarding school and Hospital kitchens



Biogas display at Harare Agricultural Show

3.0 PLANNING, RESEARCH AND DEVELOPMENT

3.1 INTRODUCTION

The main thrust is to ensure that long-term energy plans are prepared as well as carry out research on new technologies and adapting them for mainstreaming in rural energy supply. In the year under review, the organization provided organizational interface with the Consultant commissioned by government to review the overall approach to the country's energy planning methodology. The review is meant to bring Zimbabwe's energy planning methodology in line with international best practice.

The Fund also completed the first mid-size community solar mini-grid system at Bemba in Tsholotsho District of Matabeleland Province. It also continued to train biogas digester builders to build capacity at district level to meet any demand for digesters.

3.2 REHABILITATION OF MINI-HYDROS

The 5.7 km distribution network of the Himalaya 80 kW mini-hydro station, in Mutare District of Manicaland Province developed by an NGO in 2005 which had fallen down because untreated wood poles had initially been used, was successfully reconstructed. The overall performance was 90%. The outstanding work is the construction of the weir to hold adequate water for power generation and irrigation. This is a joint responsibility between the benefitting community and the Department of Irrigation with REF assisting with cement.

The rehabilitation of the second mini-hydro, Dazi in Nyanga District of Manicaland Province was postponed to 2023 to allow a grid impact study to be carried out first, since the mini-grid was changed from hydro-solar hybrid to hydro-conventional grid hybrid due to the arrival of the grid sooner than planned. The grid option which has greater capacity and more robust network performance than solar became immediately available after the accelerated extension of the grid to supply Chief Tangwena's homestead ahead of schedule in line with government policy to accord recognition to the Chief's legacy.

3.3 SOLAR MINI-GRIDS

3.3.1 Bemba solar mini-grid

REF completed the installation works for the solar mini-grid at Bemba in Tsholotsho District, Matabeleland North Province. The project supplies power to 27 households, a primary school, clinic, business center, a community borehole for domestic water supply and community garden irrigation. By year-end, the solar equipment had been installed and awaited commissioning.

3.3.2 Mini-grids at rural public institutions

Twenty five (25) institutional solar mini-grids were targeted for construction at rural schools and clinics in the year. The sizes of the solar systems are 5kW, 10kW, 15kW and 20kW depending on the size of the institution as shown in the table below. They are centralized systems comprising solar, panels, inverters and batteries supplying the school or clinic blocks and staff houses. By the end of the year, procurement of the solar equipment was in progress, at contract drafting stage.

TABLE 9: INSTITUTIONAL MINI-GRIDS

PROVINCE	NAME OF INSTITUTION	DISTRICT	SIZE
Manicaland	Mariya Primary and Secondary Schools	Chipinge	15kW
	Nyamusosa Clinic	Makoni	10kW
	Matsakanure Secondary School	Buhera	15kW
Mashonaland Central	Maparepera Primary School	Rushinga	5kW
	Ganganyama Primary School	Rushinga	5kW
	Masoka Primary & Secondary School	Mbire	15kW
Mashonaland East	Chimanga Secondary School	Mudzi	10kW
	Chisvo Primary School & Clinic	Mudzi	5kW
	Matedza Primary & Secondary Schools	Mutoko	15kW
Mashonaland West	Gadza Primary School and Clinic	Sanyati	15kW
	Mana Pools Clinic and Police post	Hurungwe	15kW
	Runene Primary & Secondary School	Makonde	20kW
	Kuwirirana Primary School	Mhondoro	15kW
Masvingo	Gunikuni Secondary School	Masvingo	10kW
	Mabhare Secondary & Batanai Primary Schools	Mwenezi	15kW
	Chipendeke Secondary School	Bikita	10kW

Matabeleland North	Kokoloza Primary School	Binga	15kW
	Tyunga Secondary School	Binga	10kW
	Tyunga Clinic	Binga	5kW
Matabeleland South	Butshe Primary School	Bulilima	10kW
	Zenzele Clinic and Secondary School	Bulilima	15kW
	Chitulipasi Secondary School	Beitbridge	10kW
Midlands	Umelusi Secondary School	Kwekwe	15kW
	Mavanga Primary School	Gokwe North	10kW
	Sawi Secondary School	Gokwe South	15kW



Institutional Solar system installed by REF : John Landa Nkomo School - Tsholotsho

3.3.3 Community Solar Mini-Grids

Table 10: Community Solar Mini-Grids

No.	Province	District	Name	PV total capacity (kW _p)	Estimated capital Cost (ZWL)	Beneficiaries
1	Manicaland	Chipinge	Hakwata	152kW	81,103,622.46	63 households, primary school, clinic, 4 shops and 2 productive loads
2	Mashonaland Central	Muzarabani	Chiwenga	15kW + 30kW	32,853,089.73	48 households, 1 primary school, 1 secondary school, 5 shops, clinic, grinding mill and water pump.
3	Mashonaland East	UMP	Chiwore	60kW	40,976,510.45	50 households, primary school, clinic, 15 shops and 2 productive use loads
4	Mashonaland West	Hurungwe	Dete	120kW	62,063,527.63	53 households, primary school, secondary school, clinic and 2 churches, grinding mill and welding shop
5	Masvingo	Gutu	Soti Source	160KW (150KW-AC Coupled+ 10KW-DC coupled)	77,856,561.60	44 households, primary school, secondary school, 15 shops, clinic, 4 churches, VET and ARES offices and DDF office, grinding mill and water pump
6	Matabeleland South	Beitbridge	Chitulipasi	96kW	76,213,589.28	40 households, primary school, secondary school, 15 shops and 1 clinic
7	Midlands	Gokwe North	Gandavaroyi	120kW	50,522,584.44	14 households, primary school, secondary school, 21 shops, clinic, Camp fire, VET & ARES OFFICES 2, 1 productive load
	Total				359,525,957.96	

REF targeted to construct seven (7) community mini-grids as shown above. By the end of the year pre-construction activities comprising community engagements, site assessment and design, equipment selection and procurement to the extent of award of contract for the supply of the solar equipment had been achieved, pending contract negotiations. Construction would begin in 2022.

3.4. BIOGAS TECHNOLOGY

3.4.1 Routine inspections

REF's Planning and Technology department provides third party quality assurance to the biogas digesters constructed for rural public institutions by the Projects Department. To that end, it carried out the stage inspections for the digesters that were constructed in 2021.

3.4.2 Training

A total of 85 biogas digester builders were trained in 2021 representing 94% of the annual target. 2 builders withdrew in Mashonaland East and returned home after learning that there would be no allowances for attendance. This shows speculative tendencies in some of the participants.

3.5. LONG-TERM ENERGY MASTER PLANNING

The government engaged a consultant to carry out a review of the electrification approaches and instruments by the state entities charged with the responsibility of planning and implementing energy projects in Zimbabwe, that is, the parent ministry, ZERA, ZESA and REF. The review will result in the development of a comprehensive National Electrification Analysis (NEA) and related investment plans aimed to achieve the Government's target of increased access to electricity through grid and off-grid technologies. The NEA will lay out the technical, institutional, and financial pathway to achieve Zimbabwe's energy access vision.

The geospatial analysis will consider possible least-cost options for electrification -and:

- Provide a sound strategic basis to implement systematically staged grid extensions

- The deployment of off-grid technologies provide indicative investment requirements for mini-grids and solar home systems as stand-alone as opposed to the grid-connected.

In the process, the REMP will be updated. To enable the review, REF has submitted the relevant data and information to the consultant. The first report will be submitted in the first quarter of 2022.

4.0 HOTSPECK ENTERPRISES (PVT) LTD

4.1 POLE PRODUCTION

4.1.1 Overview

During the period under review, one thousand six hundred and forty three cubic meters (**1 643 m³**) of treated poles were produced against a target of ten thousand five hundred and seventy five cubic meters (**10 575 m³**) and this represents a **16 %** performance. This low performance was largely attributed to the shortage of raw poles, especially during the first and second quarters of the year as shown below. **Figure 3** below shows the production of poles per quarter.

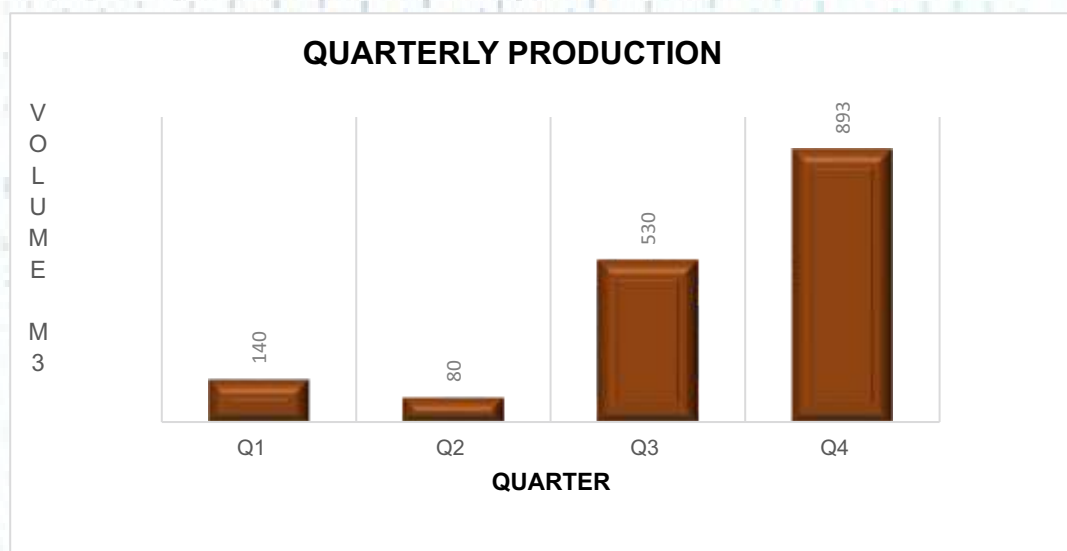


Fig 3: Volume of poles produced per quarter

Towards the end of the third quarter, Hotspeck secured a contract to harvest raw poles at Forestry Commission's Cashel Estate, Chimanimani hence the improved deliveries and production of poles in the fourth quarter.

4.1.2 Raw Pole Supply

In order to ensure a sustainable supply of raw poles, Hotspeck secured an exemption from the Procurement Regulatory Authority of Zimbabwe (PRAZ) whereupon going forward, Hotspeck will no longer go to tender for the purchase of raw poles and other key pole production inputs such as creosote. Riding on this exemption, serious engagements on the supply of raw poles with owners of plantations who do not participate on tenders commenced during the year.

4.1.3 Plant and Machinery

The annual Plant maintenance was scheduled for end of March 2021 but was deferred due to Covid-19 related travel restrictions. However, preparatory works that include ordering of major service parts commenced during the last quarter of 2021. The Plant service was deferred to the first or second quarter of 2022.

4.1.4 Sales and Marketing

Due to Covid-19 restricted movements, most of the marketing activities were done through advertisements with a few customer visits. Despite these restrictions, there was a 14% sales improvement from 2020 to 2021.

The Pole Plant Unit's revenue was low during the first two quarters and increased during the last two quarters. The increase was attributed to the availability of raw poles from Forestry Commission's Cashel Estate. REF was the biggest customer (72%) followed by Zimbabwe Electricity Transmission and Distribution Company (ZETDC) (12%) with walk in customers and toll manufacturing services contributing 5% and 11% respectively (see figure 4).

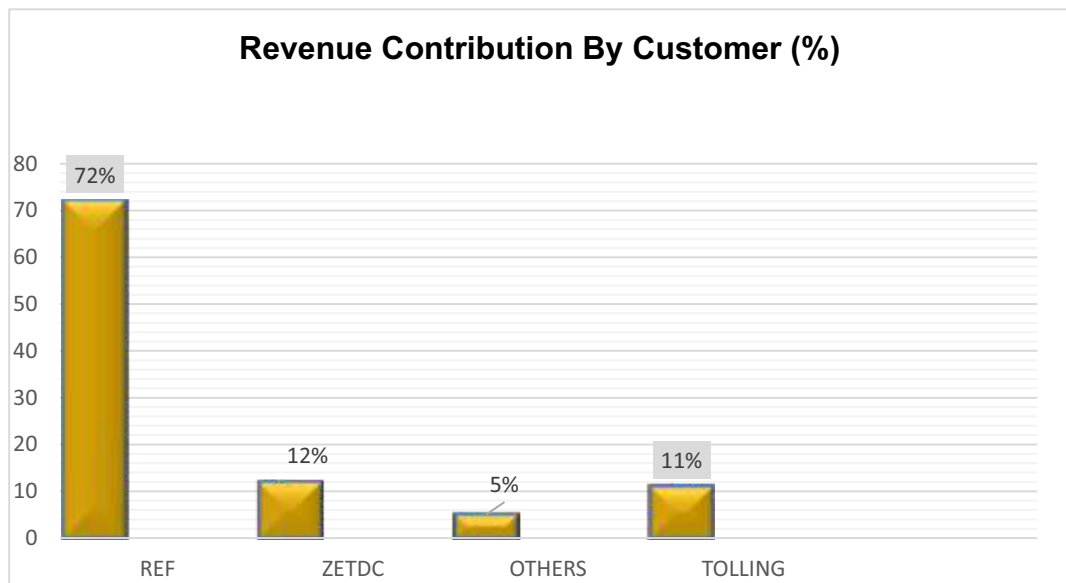


Fig 4: Revenue Contribution by Customer

4.1.5 Product Contribution

Transmission poles contributed 86% of sales followed by toll manufacturing 7%, light poles 5% and cross arms 2% as shown in Figure 5. There was an increase in toll manufacturing contribution from the previous 5% in 2020 to 7% in 2021. The increase was mostly due to advertisement.

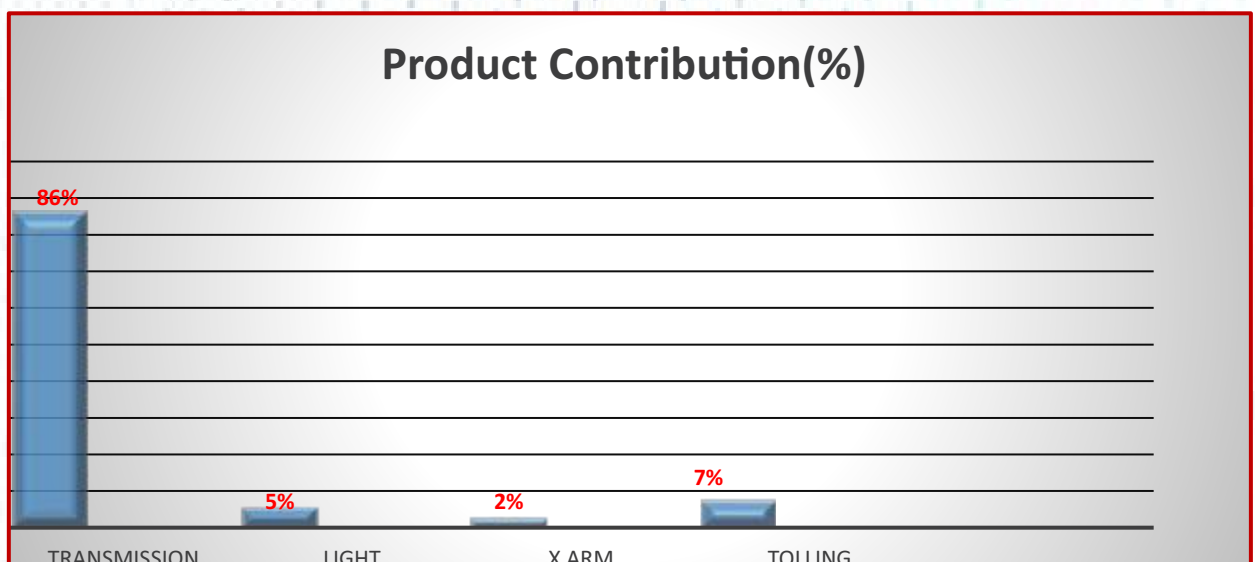


Fig 5: Product Contribution

4.2 CONTRACTING AND CONSULTING

4.2.1 Projects Implemented

The Contracting and Consulting Unit completed 13 projects valued at US\$161,166.38. Grid projects contributed the highest number of projects (11) worth US\$159,034.08. Two (2) solar consultancy projects valued at US\$ 2,132.00 were undertaken. Figure 6 highlights the revenue earned per energy type.

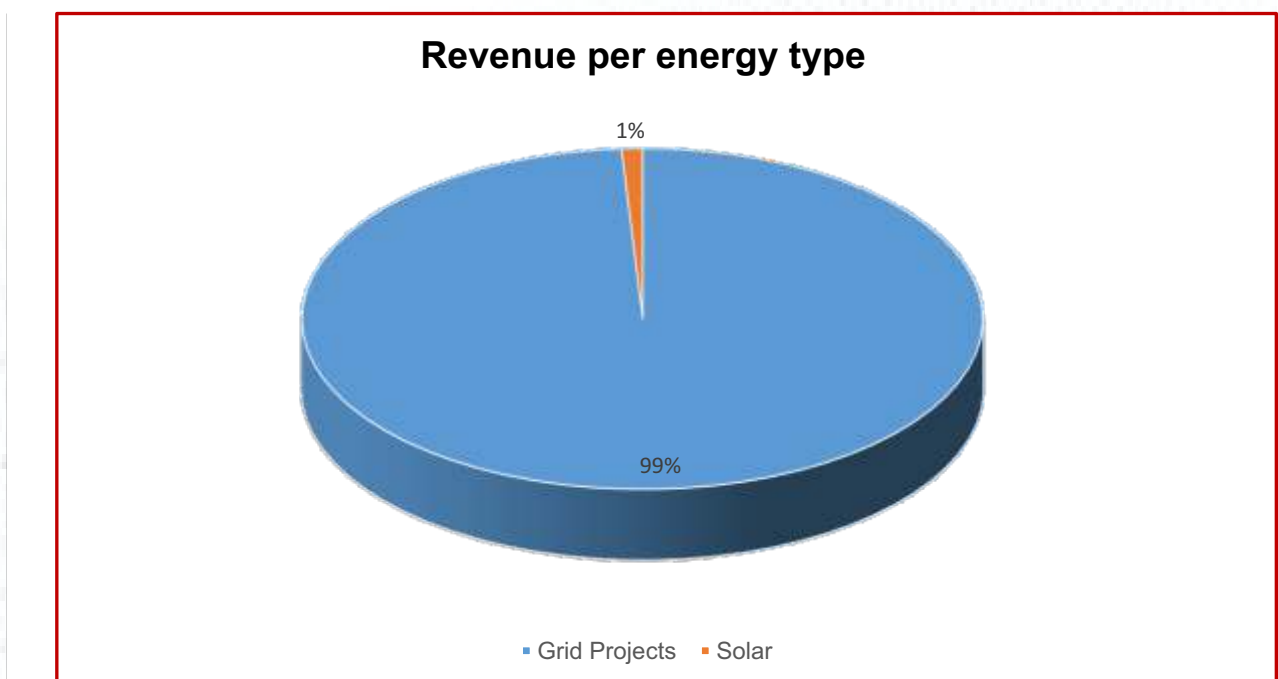


Fig 6: Revenue per energy type

4.2.2 Customer Segmentation

Grid electrification projects were mostly for the mining industry. Solar projects and consultancy were carried out mainly for parastatals that included Petrotrade and Empowerbank. Overall, the distribution of customers by segments for the total revenue realised is shown in Figure 7.

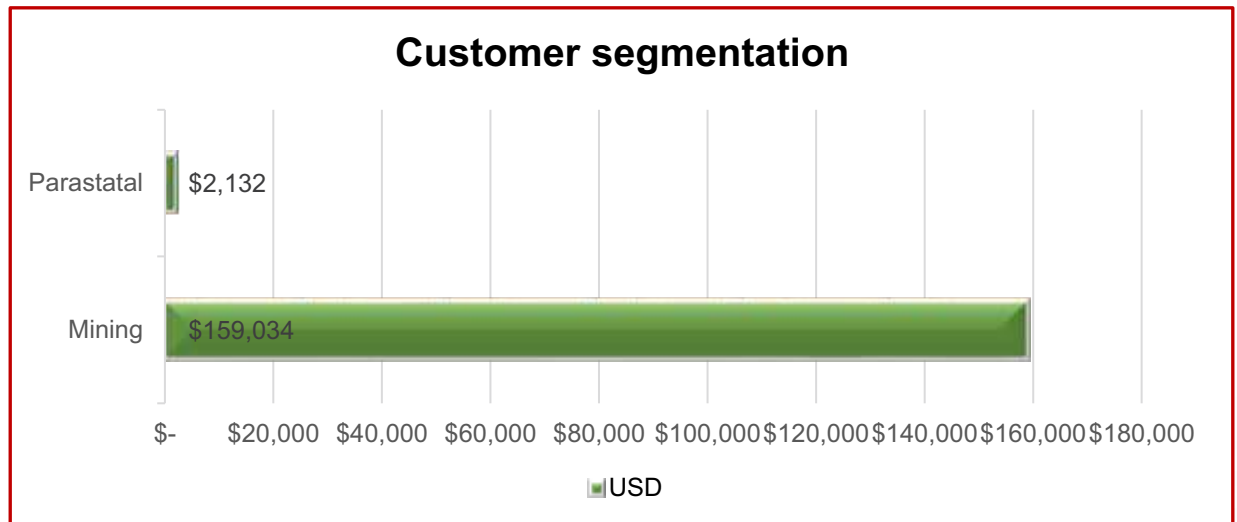


Fig 7: Customer Segmentation

4.3 HUMAN RESOURCES

Three key employees that include the Accounting Officer, Millwright and Commercial Manager resigned during the period under review. Recruitment process commenced during the year and the positions will be filled in 2022.

4.4 OUTLOOK

The business is expected to benefit from the exemption by PRAZ of not going to tender for the key inputs for the Pole Plant. The servicing of the Pole Plant will position the business well for the anticipated increase in orders.

The recapitalization of the Contracting and Consulting Unit will enhance its capacity to implement several big projects and hence grow revenue. Hotspeck will also continue to pursue more innovative initiatives to grow revenue and make profits. The replacement of personnel that left the organisation in 2021 will strengthen the skills base for the business.

5.0 MARKETING AND PUBLIC RELATIONS

5.1. Overview

The Fund focused more on creating awareness and promotion of brand visibility in 2021 by way of exhibitions, switch on ceremonies and media programs, all held in compliance with the Covid-19 pandemic regulations set by the government.

5.2 Switch on ceremonies

Switch on ceremonies were conducted in Mashonaland East, Matabeleland South, Midlands and Mashonaland Central provinces under strict Covid-19 guidelines, where only up to 50 people were allowed to attend the ceremonies.

5.3 Exhibitions

REF participated at agricultural shows in seven of the eight rural provinces. Only Mashonaland West did not participate in the annual event. REF won prizes in Mashonaland East, Mashonaland Central, Matabeleland North and Matabeleland South province. At the Zimbabwe International Trade Fair (ZITF), REF settled for the Silver Medal in the Energy Industry Category.

6.0 HUMAN CAPITAL

6.1 Summary of Staff Statistics Year 2021

Service Grouping	Year 2021		Budget Year (Estimated)
	Positions Approved	Positions Filled	(New Positions Required)
CATEGORY 1: BAND E and above	14	12	2
CATEGORY 2: BAND D	60	48	12
CATEGORY 3: BAND C	69	64	5
CATEGORY 4: BAND A & B	164	138	26
Total	307	262	45
Manpower Strength			= 85.34%

6.2 Summary of Statistics by Gender

		FEMALES	MALES	TOTAL
CATEGORY 1: BAND E and above		4	8	12
CATEGORY 2: BAND D		5	43	48
CATEGORY 3: BAND C		21	43	64
CATEGORY 4: BAND A & B		24	114	138
	TOTALS	54	208	262
	% of Total Staff Compliment	20.61%	79.39%	

The Fund continues to pursue deliberate measures aimed at promoting diversity and, in particular, gender parity.

6.3 Occupational Health and Safety

No. of Work-related Accidents	Disability from Work-related Accidents	Death from Work-related Accidents	Lost Man-hours Due to accidents
8	1	0	351

The year 2021 saw an increase in the number of accidents and lost man-hours over the previous year. Although this increase was mainly due to an enormous increase in activity following many months of tight lock-down rules, the Fund continued to pursue a rigorous Occupational Health and Safety (OHS) Policy of “Zero Tolerance to Work-related Accidents”. To this end, a robust OHS Programme which comprised health and safety awareness campaigns, total employee wellness education and provision of equipment and protective clothing was mounted to ensure that the number of work-related accidents and lost man-hours thereof were kept in check.

7.0 GROUP'S FINANCIAL PERFORMANCE

Despite the volatile environment impacting on operations, the Group's financial performance was moderate, where its inflation-adjusted revenue grew by 38% compared to the revenue generated in the year 2020. **Figure 8** summarises the Group's financial performance

Financial Indicator	Inflation-Adjusted Accounting		Historical Cost Accounting	
	31 Dec 2021	31 Dec 2020	31 Dec 2021	31 Dec 2020
Revenue (ZWL)	4.9bn	3.6bn	3.9bn	1.5bn
Surplus (ZWL)	0.1bn	1.2bn	2.8bn	1.2bn
Total Assets (ZWL)	4.9bn	4.6bn	4.8bn	1.7bn

“...despite the effects of covid-19, the Group's revenue shot up by 36% based on inflation-adjusted accounting...”

Fig 8: Total Revenue increased by 36% whilst Total Assets increased by 7% based on inflation-adjusted accounting. As a result of this financial performance, REF implemented 233 grid projects against a target of 289, resulting in an impressive performance of 81%.

APPRECIATION

Management wishes to thank the REF Board and the Ministry of Energy and Power Development for their unwavering support, continued guidance and their commitment to the Rural Electrification programme. Our management and staff continue to enjoy a cordial relationship with all stakeholders towards the attainment of REF's mandate.

Eng. J.V. Mashamba
Chief Executive Officer



REF Staff and Chief Executive Officer celebrate an award scooped at the Zimbabwe International Trade Fair (ZITF) – 2021



Honourable Minister of Energy and Power Development commissioned the Shale Project in Matabeleland South.

STATEMENT ON CORPORATE GOVERNANCE AND THE DIRECTORS' RESPONSIBILITY



C.B.E MUTSVAIRO
CORPORATE SECRETARY

INTRODUCTION

Rural Electrification Fund is a statutory body governed by the Rural Electrification Fund Act (Chapter 13:20). REF is fully committed to the tenets of integrity, accountability, transparency and responsibility to all its stakeholders and the Board of Directors subscribe to the need to conduct the Group's business professionally, ethically and in accordance with principles of good corporate governance.

BOARD OF DIRECTORS

The Board of Directors ("the Board") was appointed in terms of Section 6 (2), (3) and (4) of the Rural Electrification Fund Act (Chapter 13:20). The governing statute determines the composition, functions and powers of the Board. The full Board has eleven members excluding the Chief Executive Officer, the only Executive Director who sits on the Board but with no voting rights. To ensure compliance with good corporate governance principles and accountability, the office of Board Chairman is distinct from that of the Chief Executive Officer.

The Board meets at least quarterly to review strategies, policies and monitor management's performance. Special and combined meetings are held to quickly dispense of urgent Board business. Five Board Committees chaired by non-executive directors assist the Board in the better exercise of its functions. These are the Manpower and Remuneration, Audit and Corporate Governance, Projects and Business Development, Strategic Planning and lastly but not least, Finance and Procurement Committees. The Strategic Planning Committee was formed in the year 2012 to monitor the strategic review and implementation process. The five Board Committees meet at least once quarterly ahead of the main Board meetings. It is the Board's prerogative to regularly review membership and terms of reference of the Board Committees.

The Board retains the right to amend or rescind any decision of the Board Committees and in that regard the Board has retained full control by approving new projects and capital expenditure, allocation of funds and effectively manage performance. Guided by section 18 (2) of the Rural Electrification Fund Act (Chapter 13:20), the Board may appoint to the Board Committee, persons who are not members of the Board to tap into their wealth of experiences from their fields of business.

BOARD COMMITTEES

The REF Board has five Committees chaired by non-executive directors to assist the Board in the better exercise of its functions and these are:

OPERATIONS AND BUSINESS DEVELOPMENT COMMITTEE

The Committee assists the Board in reviewing and prioritisation of energy projects within REF's jurisdiction. It further assists and provide guidance to management on projects of strategic nature. The Committee is seized with the responsibility of reviewing the project roll-out programme and align it to the national agenda. The Projects Director, Planning and Technology Director, and the General Manager for Hotspeck Enterprises attend all Committee meetings by invitation so as to present performance reports and also advise the Committee on technical matters affecting its deliberations.

Members:

Non-Executive

F.S Mbetsa (Chairman)
T. Kutamahufa
E. Seenza
N. F. Chikonye

Executive

J. V. Mashamba

MANPOWER AND REMUNERATION COMMITTEE

The Committee assists the Board with the review of human resource strategy, policies and practices to ensure that the Group remains competitive and management and staff retention levels remain at acceptably high levels. In addition, the Committee periodically reviews the organizational structure for strategic fitness. Such a policy ensures that interests of stakeholders and the corporate image remain well protected. Even though the Chief Human Resource Officer is not a committee member he attends all the Committee's meetings to present performance reports and advise on technical matters.

Members:**Non-Executive**

C. Chiringa (Chairman)
L.L. Dhlamini
C. Chitiyo
P. Ndemera

Executive

J. V. Mashamba

AUDIT AND CORPORATE GOVERNANCE COMMITTEE

The Committee assists the Board in the continuous assessment of effectiveness of internal control systems and mechanisms, minimization of risk of loss, theft or pilferages of the Group's assets, reporting and disclosure, ensuring compliance with good governance principles, relevant legislation and regulatory authorities and review and approval of internal audit plans, findings and reports. Even though the Internal Audit Manager is not an Audit and Corporate Governance Committee member, she attends all the meetings to present internal audit findings and recommendations and advise on technical matters.

Non-Executive**Members**

S. Ncube (Chairperson)
P. Ndemera
L.L. Dhlamini
T. Kutamahufa

FINANCE AND PROCUREMENT COMMITTEE

The Committee assists the Board in reviewing the integrity of accounting and financial reporting. It also assists the Board in reviewing and approving proposed income and disbursements and expenditure of the Fund, acquisitions of major assets, borrowings and monitors levy remittances, debt collections and procurement activities. Even though Finance Director is not a Committee Member, she attends all Committee meetings to present quarterly financial performance reports and advise on technical matters.

Members:**Non-executive**

A. Maronge (Chairperson)
C. Chitiyo
N.F. Chikonye

Executive

J. V. Mashamba

STRATEGIC PLANNING COMMITTEE

The Committee assists the Board in the review of the strategic plan with a view of aligning the strategy to the mandate as spelt out in the governing statute and the National Energy Policy. It also monitors the implementation process. The Committee receives progress reports from the consultants that the Fund engages to drive the strategic review and change management processes. These processes are designed to enhance REF's effectiveness in the implementation of energy and energy consuming projects. The committee's membership is drawn from the other Committee chairpersons and is chaired by an Independent Non-Executive Board Member.

Members:

Non-executive

E. Seenza (Chairman)
S. Ncube
C. Chiringa
F. S. Mbetsa
A. Maronge

Executive

J. V. Mashamba

BOARD MEETINGS ATTENDANCE

The REF Board Chairman and the Chairpersons of the five Board Committees convened the regulated Board/ Committee meetings prescribed under section 15 (1) of the Rural Electrification Fund Act (Chapter 13:20). The attendances were as follows:

Ordinary Board Meetings

Membership	Title	Number of meetings convened	Member's attendances
Mr W A Chiwewe	Chairman	6	6
Mrs C Chitiyo	Deputy Chair	6	5
Ms S Ncube	Board Member	6	3
Mr C Chiringa	Board Member	6	4
Ms L L Dhlamini	Board Member	6	3
Mr F S Mbetsa	Board Member	6	5
Eng. N F Chikonye	Board Member	6	4
Mr T Kutamahufa	Board Member	6	5
Mr E Seenza	Board Member	6	6
Mr A Maronge	Board Member	6	5
Mr P Ndemera	Board Member	6	6
Eng. J V Mashamba	Chief Executive Officer	6	6

Pre-Board meetings

Membership	Title	Number of meetings convened	Member's attendances
Mr W A Chiwewe	Chairman	4	4
Mrs C Chitiyo	Deputy Chair	4	4
Ms S Ncube	Board Member	4	3
Mr C Chiringa	Board Member	4	3
Ms L L Dhlamini	Board Member	4	3
Mr F S Mbetsa	Board Member	4	2
Eng. N F Chikonye	Board Member	4	3
Mr T Kutamahufa	Board Member	4	4
Mr E Seenza	Board Member	4	3
Mr A Maronge	Board Member	4	4
Mr P Ndemera	Board Member	4	4
Eng. J V Mashamba	Chief Executive Officer	4	4



REF Board Chairman (middle), Vice Board Chairperson (right) and Chief Executive Officer (left) attending a Board Meeting in Bulawayo

Manpower and Remuneration Committee

Membership	Title	Number of meetings convened	Member's attendances
Mr C Chiringa	Committee Chairperson	8	8
Mrs C Chitiyo	Committee Member	8	8
Ms L L Dhlamini	Committee Member	8	6
Mr P Ndemera	Committee Member	8	8
Eng. J V Mashamba	Chief Executive Officer	8	8

Audit and Corporate Governance Committee

Membership	Title	Number of meetings convened	Member's attendances
Mrs S Ncube	Committee Chairperson	5	5
Mr P Ndemera	Committee Member	5	5
Ms L L Dhlamini	Committee Member	5	3
Mr T Kutamahufa	Committee Member	5	5

Finance and Procurement Committee

Membership	Title	Number of meetings convened	Member's attendances
Mr A Maronge	Committee Chairperson	6	6
Mrs C Chitiyo	Committee Member	6	6
Eng. N.F Chikonye	Committee Member	6	5
Mr C Chiringa	Board Member	6	1 (by Invitation)
Eng. J V Mashamba	Chief Executive Officer	6	5

Operations and Business Development Committee

Membership	Title	Number of meetings convened	Member's attendances
Mr F S Mbetsa	Committee Chairperson	5	5
Mr T Kutamahufa	Committee Member	5	5
Mr E Seenza	Committee Member	5	5
Eng. N.F Chikonye	Committee Member	5	5
Eng. J V Mashamba	Chief Executive Officer	5	5

Strategic Planning Committee

Membership	Title	Number of meetings convened	Member's attendances
Mr E Seenza	Committee Chairperson	4	4
Mrs S Ncube	Committee Member	4	3
Mr C Chiringa	Committee Member	4	4
Mr F S Mbetsa	Committee Member	4	4
Mr A Maronge	Committee Member	4	4
Mr T Kutamahufa	Board Member	4	1 (by invitation)
Eng. J V Mashamba	Chief Executive Officer	4	4



C.B.E Mutsvairo
Corporate Secretary

09 November 2022

Date



Eng. J. V. Mashamba
Chief Executive Officer

09 November 2022

Date



W. A. Chiwewe
Board Chairman

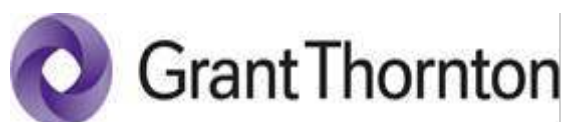
09 November 2022

Date

GROUP'S CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021



Teachers' houses at Chijawi primary school in Hurungwe District electrified by REF



Rural Electrification Fund (REF) and its subsidiary
Consolidated Annual Financial Statements
31 December 2021

Rural Electrification Fund and its subsidiary

NATURE OF BUSINESS:

Rural Electrification Fund is a statutory body governed by the Rural Electrification Fund Act (Chapter 13:20). The Rural Electrification Fund and its subsidiary, Hotspeck Enterprises (Private) Limited (together the "Group") are primarily involved in facilitating rapid and equitable electrification of rural Zimbabwe and promoting productive use of electricity.

DIRECTORS:

Chiwewe W. A.	(Board Chairman)
Mashamba J. V.	(Chief Executive Officer)
Chitiyo C.	(Vice Chairman)
Dhlamini L. L.	(Non-Executive Director)
Maronge A.	(Non-Executive Director)
Ndemera P.	(Non-Executive Director)
Seenza E.	(Non-Executive Director)
Mbetsa S. F.	(Non-Executive Director)
Chiringa C.	(Non-Executive Director)
Chikonye N. F.	(Non-Executive Director)
Katamahufa T.	(Non-Executive Director)
Ncube S.	(Non-Executive Director)

REGISTERED OFFICE:

Rural Electrification Fund
44 Samora Machel Avenue
Megawatt Building
HARARE

AUDITORS:

Grant Thornton

Chartered Accountants (Zimbabwe)
Camelsa Business Park
135 Enterprise Road
Highlands
HARARE

Rural Electrification Fund and its subsidiary

BANKERS:

CBZ Bank Limited

60Kwmae Nkrumah Avenue

HARARE

ZB Bank

ZB House

First Street

HARARE

Stanbic Bank

59 Samora Machel Avenue

HARARE

BANC ABC Bank

67 Samora Machel Avenue

HARARE

NMB Bank

20 King Gorge Road

HARARE

LAWYERS

Mbidzo, Muchadehama and Makoni

Mawire and Associates

Gill Goldlonton and Gerrans

These consolidated financial statements are expressed in Zimbabwe Dollars (ZWL).

Responsibilities of Management and Those Charged with Governance for the Inflation Adjusted Consolidated Financial Statements for the year ended 31 December 2021

It is the Directors' responsibility to ensure that the inflation adjusted annual financial statements fairly present the state of affairs of Rural Electrification Fund and its subsidiary. The external auditors are responsible for independently reviewing and reporting on the inflation adjusted consolidated financial statements.

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

The inflation adjusted consolidated financial statements are prepared with the aim of complying fully with International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standards Board (IASB), which includes standards and interpretations approved by the IASB and Standing Interpretations Committee (SIC) interpretations issued under previous constitutions.

The Conceptual Framework for financial reporting requires that in applying fair presentation of financial statements, entities should go beyond the consideration of the legal form of transactions and any other factors that could have an impact on them. IAS 21 requires an entity to apply certain parameters in determining the functional currency of an entity for use in the preparation of its financial statements. This standard also requires an entity to make certain judgments, where applicable, regarding appropriate exchange rates between currencies where exchangeability through a legal and market exchange mechanism is not achievable.

In the opinion of the Directors, the requirement to comply with Statutory Instrument (S.I) 33 of 2019 created inconsistencies with IAS 21, as well as the principles embedded in the IFRS Conceptual Framework. This has resulted in the adoption of accounting treatment in the current year's inflation adjusted consolidated financial statements, which deviates from that which would have been applied if the Group had been able to fully comply with IFRS.

The Directors acknowledge that they are ultimately responsible for the system of accounting and internal control established by the Group and place considerable importance on maintaining a strong control environment. To enable them to meet these responsibilities, the Directors set standards for internal control aimed at reducing the risk of error or loss in a cost-effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the Group and all employees are required to maintain the highest ethical standards in ensuring the Group's business is conducted in a manner that, in all reasonable circumstances, is above reproach. The focus of risk management in the Group is on identifying, assessing, managing and monitoring all known forms of risk across the Group. While operating risk cannot be fully eliminated, the Group endeavours to minimize it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints. The directors are of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the consolidated

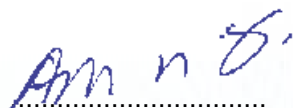
financial statements. However, any system of accounting and internal control can provide only reasonable, and not absolute assurance against material misstatement or loss.

The Group's inflation adjusted consolidated financial statements which are set out on pages 55 to 82 were, in accordance with their responsibilities, approved by the Board of Directors on **14 November 2022** and are signed on its behalf by:



Makumbinde F.

Finance Director



Maronge A.

Non-Executive Director



Eng. J. V. Mashamba

Chief Executive Officer



Chiwewe W. A.

Board Chairman

INDEPENDENT AUDITOR'S REPORT

To the members of Rural Electrification Fund (REF) and its subsidiary

Report on the Audit of the Financial Statements

Adverse Opinion

We have audited the inflation adjusted consolidated financial statements of Rural Electrification Fund and its subsidiary as set out on pages 55 to 82, which comprise the inflation adjusted consolidated statement of financial position as at 31 December 2021, the inflation adjusted consolidated statement of profit or loss and other comprehensive income, the inflation adjusted consolidated statement of changes in funds and reserves and the inflation adjusted consolidated statement of cash flows for the year then ended, and the notes to the inflation adjusted consolidated financial statements, including a summary of significant group accounting policies.

In our opinion, because of the significance of the matters described in the *Basis for Adverse Opinion* section of our report, the inflation adjusted consolidated financial statements do not present fairly, in all material respects, the inflation adjusted consolidated financial position of Rural Electrification Fund and its subsidiary as at 31 December 2021, and its inflation adjusted consolidated financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for Adverse Opinion

Non-compliance with International Accounting Standard (IAS) 21 - The Effect of Changes in Foreign Exchange Rates in the prior financial years and International Accounting Standard (IAS) 8 – Accounting Policies, Changes in Accounting Estimates and Errors

During the prior financial years, the foreign currency denominated transactions and balances of the Fund were translated into ZWL using the interbank exchange rates which were not considered appropriate spot rates for translations as required by IAS 21. The opinion on the prior year financial statements was modified in respect of this matter and the misstatements have not been corrected in the financial statements for the year ended 31 December 2021.

As the non-compliance with IAS 21 is from prior financial years and there have been no restatements to the prior year financial statements in accordance with IAS 8, some comparative numbers in the financial statements may be misstated. Our opinion on the current year financial statements is modified because of the possible effects of the above matters on the comparability of the current year's figures to corresponding figures of the comparative period. As a result of the residual effects of the non-compliance with IAS 21 and the non-restatement of the comparative figures in accordance with IAS 8, the accumulated loss may contain misstatements.

The effects of the above non-compliance with International Financial Reporting Standards were considered to be material but not pervasive to the financial statements.

Had the financial statements been prepared in accordance with the requirements of IAS 21, many elements would have been materially different. The effects of the non-compliance with the requirements of IAS 21 have been considered to be material and pervasive to the financial statements as a whole.

Although IAS 29 has been applied correctly, its application was based on prior period financial information which was not in compliance with IAS 21 as described above. Had the correct base numbers been used, some elements of the financial statements (including monetary gain/loss) would have been materially different. The impact of the departure from the requirements of these standards is considered material but not pervasive to the financial statements for the year ended 31 December 2021.

Had the financial statements been prepared in accordance with the requirements of IAS 21, many of the elements would have been materially impacted and therefore, the departure from the requirements of this standard is considered to be material and pervasive to the financial statements, taken as a whole.

Valuation of property and equipment

The determination of fair values for property and equipment presented in the financial statements is affected by the prevailing economic environment. These financial statements include property and equipment that was revalued by independent professional valuers as at 31 December 2021. The property, plant and equipment valuations were determined in USD and then translated to ZWL at the interbank foreign exchange rate as at 31 December 2021.

Although the determined USD values as at 31 December 2021 reflected the fair value of the property, plant and equipment in USD as at that date, the converted ZWL fair values were not in compliance with IFRS 13 as they may not reflect the assumptions that market participants would apply in valuing similar items of property, plant and equipment in ZWL. No subsequent revaluations were done in the financial statements.

Ownership of land

Included in the Group's property and equipment is a piece of land located in Matabeleland North valued at ZWL 7 000 000 which constitutes 5% of the total land value for which no ownership documents were provided.

In addition, the Group's property and equipment includes land to the value of ZWL 6 000 000 located in Matabeleland, which is under a lease to purchase agreement with the Municipality of Gwanda. However, as at year end the Fund had not met the lease terms and conditions as stipulated in the contract which would allow transfer of ownership.

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our adverse opinion.

Emphasis of Matter

We draw attention to **note 22** to the financial statements, which describes the uncertainties relating to the possible effects of the COVID-19 pandemic on the Group.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current year. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a

separate opinion on these matters. We have determined the matters described below to be the key audit matters to be communicated in our report.

Key Audit Matter	How our audit addressed the key Audit Matter
<p>Revenue recognition</p> <ul style="list-style-type: none"> There is a presumed risk of inappropriate revenue recognition specifically identified in ISA 240 (R), 'The auditors' responsibility to consider fraud in the audit of financial statements. This is a significant risk and accordingly a key audit matter. 	<ul style="list-style-type: none"> Our audit procedures include testing of design, existence and operating effectiveness of internal controls implemented as well as test of details to ensure accurate processing of revenue transactions. We identified key controls and tested these controls to obtain satisfaction that they were operating effectively for the year under review. The results of our controls testing have been the basis for the nature and scoping of the additional test of details, which mainly consisted of testing individual transactions by reconciling them to external sources (supporting documentation). We confirmed the revenue balance with Zimbabwe Electricity Distribution Company (ZETDC). Furthermore, we performed analytical procedures and assessed the reasonableness of explanations provided by management. We satisfied ourselves that the Group's revenue is adequate and appropriate

Other information

The Directors are responsible for the other information. The other information comprises the Directors' Report, which we obtained prior to the date of this auditors' report. The other information does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance or conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements, or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRSs, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements.

- We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

In our opinion, except for the non-compliance with International Accounting Standards as described in our *Basis for Adverse Opinion*, the consolidated financial statements have been properly prepared in compliance with the requirements of Rural Electrification Fund Act (Chapter 13:20).

The engagement partner on the audit resulting in this Independent Auditor's Report is Alice Mafanuke.

Grant Thornton

Alice Mafanuke

Partner

Registered Public Auditor (PAAB No: 0465)

Grant Thornton

15 November 2022

Chartered Accountants (Zimbabwe)

Registered Public Auditors

HARARE

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2021

		Inflation Adjusted		Historical Cost	
	Notes	2021 ZWL	2020 ZWL	2021 ZWL	2020 ZWL
Operating income	5	4 766 371 241	3 542 001 530	3 792 848 246	1 487 681 883
Other income	6	152 900 358	73 658 239	149 367 516	45 046 866
Total income		4 919 271 599	3 615 659 769	3 942 215 762	1 532 728 749
Cost of rural electrification projects	7	(880 875 631)	(336 376 740)	(739 285 887)	(162 973 973)
Cost of sales		(21 654 736)	(35 701 996)	(16 596 969)	(12 473 098)
Net operating income		4 016 741 232	3 243 581 033	3 186 332 906	1 357 281 678
Administrative expenses		(2 062 338 892)	(797 748 376)	(1 747 495 056)	(797 017 295)
Surplus from operations		1 954 402 340	2 445 832 657	1 438 837 850	560 264 383
Finance income	8.1	1 603 798	102 074	1 539 801	28 600
Interest expense		(4 421 837)	-	(3 407 594)	-
Surplus before exchange losses		1 951 584 301	2 445 934 731	1 436 970 057	560 292 983
Unrealised exchange losses		695 738 704	999 057 421	696 965 955	618 291 735
Monetary loss		(2 252 415 784)	(2 230 106 272)	-	-
Surplus before income tax		394 907 221	1 214 885 880	2 133 936 012	1 178 584 718
Income tax credit/ (expense)	9	4 444 558	(5 083 572)	2 226 274	(2 879 908)
Surplus for the year		399 351 779	1 209 802 308	2 136 162 286	1 175 704 810
Other Comprehensive Income:					
Revaluation of intangible assets	11	(152 438 426)	190 210	(18 350 993)	98 264
Revaluation of property, plant and equipment	10	(130 009 186)	-	701 574 721	-
Income tax relating to items not reclassified		11 797 385	(62 460)	(23 964 337)	(32 267)
Other comprehensive income		(270 650 227)	127 750	659 259 391	65 997
Total comprehensive income		128 701 551	1 209 930 058	2 795 421 677	1 175 770 807

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2021

		Inflation		Historical Cost	
	Notes	2021 ZWL	2020 ZWL	2021 ZWL	2020 ZWL
ASSETS					
Non-current assets					
Property, plant and equipment	10	866 032 124	939 482 589	866 032 124	120 668 146
Intangible assets	11	23 955 420	333 077 675	23 955 419	44 362 672
Loans and advances	12.1	64 677	134 138	64 677	83 452
Right of use asset	21.1	40 590 881	-	26 705 244	-
		930 643 103	1 272 694 402	916 757 464	165 114 270
Current assets					
Inventories	13	368 191 325	1 142 256 466	262 636 323	134 698 267
Loans and advances	12.2	6 597	10 604	6 597	6 597
Trade and other receivables	14	3 230 467 201	2 151 127 024	3 230 467 201	1 338 289 892
Cash and cash equivalents	15	344 921 708	57 042 884	344 921 708	35 488 334
		3 943 586 831	3 350 436 978	3 838 031 829	1 508 483 090
Total assets		4 874 229 934	4 623 131 380	4 754 789 293	1 673 597 360
FUNDS RESERVES AND LIABILITIES					
Funds and reserves					
Accumulated funds		4 159 154 890	3 759 803 111	3 519 347 413	1 383 185 127
Revaluation reserve		294 651 807	565 302 034	800 787 665	141 528 274
Total funds and reserves		4 453 806 697	4 325 105 145	4 320 135 078	1 524 713 401
Non-current liabilities					
Lease liability		28 380 030	-	28 380 030	-
Post-employment benefits	16	107 049 288	76 239 583	107 049 288	21 869 616
		135 429 318	76 239 583	135 429 318	21 869 616
Current liabilities					
Deferred tax Liability	9	17 670 732	33 901 937	31 901 710	10 163 647
Trade and other payables	17	253 563 357	179 920 319	253 563 357	111 895 772
Deposits for customer driven projects	18	6 583 098	7 964 396	6 583 098	4 954 924
Lease liability		7 176 732	-	7 176 732	-
		284 993 919	221 786 652	299 224 897	127 014 343
Total funds, reserves and liabilities		4 874 229 934	4 623 131 380	4 754 789 293	1 673 597 360

Makumbinde F.
Finance Director

Maronge A.
Non- Executive Director

Eng. J. V. Mashamba
Chief Executive Officer

Chiwewe W. A.
Board Chairman

CONSOLIDATED STATEMENT OF CHANGES IN FUNDS AND RESERVES FOR THE YEAR ENDED 31 DECEMBER 2021

	INFLATION ADJUSTED		
	Revaluation Reserve ZWL	Accumulated funds ZWL	Total funds ZWL
Balance as at 1 January 2020	565 111 824	2 550 000 803	3 115 112 627
Total comprehensive income/(deficit)	190 210	1 209 802 308	1 209 992 518
Balance as at 31 December 2020	<u>565 302 034</u>	<u>3 759 803 111</u>	<u>4 325 105 145</u>
Balance as at 1 January 2021	565 302 034	3 759 803 111	4 325 105 145
Total comprehensive income	(270 650 227)	399 351 779	128 701 551
Balance as at 31 December 2021	<u>294 651 807</u>	<u>4 159 154 890</u>	<u>4 453 806 696</u>

	HISTORICAL COST		
	Revaluation Reserve ZWL	Accumulated funds ZWL	Total funds ZWL
Balance as at 1 January 2020	141 430 010	207 480 317	348 910 327
Total comprehensive income	98 264	1 175 704 810	1 175 803 074
Balance as at 31 December 2020	<u>141 528 274</u>	<u>1 383 185 127</u>	<u>1 524 713 401</u>
Balance as at 1 January 2021	141 528 274	1 383 185 127	1 524 713 401
Total comprehensive income	659 259 391	2 136 162 286	2 795 421 677
Balance as at 31 December 2021	<u>800 787 665</u>	<u>3 519 347 413</u>	<u>4 320 135 078</u>

CONSOLIDATED STATEMENT OF CASHFLOWS FOR THE YEAR ENDED 31 DECEMBER 2021

		Inflation adjusted		Historical Cost	
	Notes	2021 ZWL	2020 ZWL	2021 ZWL	2020 ZWL
Cash flows from operating activities					
Surplus/(deficit) before income tax expense		394 907 221	1 214 885 880	2 133 936 012	1 178 584 718
Adjustments for:					
Depreciation- property and equipment	10	39 937 894	827 110 59	30 814 276	23 289 197
Depreciation- right of use	21.1	7 609 360	-	5 995 055	-
Amortisation	11	3 117 713	4 506 848	2 365 410	2 349 953
Effects of exchange gains		120 327	3 775 71	120 327	115 485
Monetary loss		2 252 415 784	2 230 106 282	-	-
Movement on defined benefit		30 809 700	23 365 777	85 179 672	14 536 656
Unrealised exchange loss	21.2	9 684 572	-	8 457 321	-
Finance cost		4 528 451	-	3 584 947	-
Profit on disposal	6	(7 797 764)	(124 742)	(6 124 791)	(17 685)
Finance income	8	(1 603 798)	(102 074)	(1 539 801)	(28 600)
Impairment - intangible assets	11	154 021 723	-	-	-
Cashflow from operating activities		2 887 751 184	3 555 726 601	2 262 788 428	1 218 829 724
Changes in working capital:					
Decrease /(increase) in inventories		774 065 141	(302 520 378)	(127 999 455)	(97 384 413)
Decrease in loans and advances		73 468	5 171 772	18 775	647 288
Increase in trade and other receivables		(1 079 340 177)	(972 227 449)	(1 892 177 309)	(1 174 790 695)
Increase in trade and other payables		57 411 833	95 458 694	141 559 956	99 509 193
(Decrease)/ increase in deposits from customer driven projects		(1 381 298)	906 055	1 628 174	3 976 017
Net cash generated from operating		2 638 580 151	2 382 515 297	385 818 569	50 787 114
Cash flows from investing activities					
Finance income	8	1 603 798	102 074	1 539 801	28 600
Acquisition of property and equipment	10	(96 496 616)	(123 837 544)	(74 603 533)	(19 904 178)
Proceeds from disposal of assets		7 797 764	-	6 124 791	-
Acquisition of intangible assets	11	(455 607)	-	(309 150)	-
Net cash utilised in investing activities		(87 550 661)	(123 735 470)	(67 248 091)	(19 875 578)
Financing Activities					
Repayment of lease liability		(10 582 481)	-	(9 137 104)	-
Net increase/(decrease)in cash and cash equivalents		2 540 447 009	2 258 779 827	309 433 374	30 911 536
Inflation effects on cash and cash equivalents		(2 252 568 185)	(2 234 737 626)	-	-
Cash and cash equivalents at the beginning of the year		57 042 884	33 000 683	35 488 334	4 576 798
Cash and cash equivalents at end of the year	15	344 921 708	57 042 884	344 921 708	35 488 334

GROUP STATEMENT OF ACCOUNTING POLICIES FOR THE YEAR ENDED 31 DECEMBER 2021

1 General Information

1.1 Nature of business and incorporation

Rural Electrification Fund is a statutory body governed by the Rural Electrification Fund Act (Chapter 13:20). The Rural Electrification Fund and its subsidiary, Hotspeck Enterprises (Private) Limited (together the "Group") are primarily involved in facilitating rapid and equitable electrification of rural Zimbabwe and promoting productive use of electricity.

1.2 Currency

These financial statements are presented in Zimbabwe Dollars (ZWL) being the functional and reporting currency of the primary economic environment in which the Group operates.

1.3 Basis of preparation

The financial statement of the Fund are prepared under the historical cost conversion. For the purpose of fair presentation in accordance with International Accounting Standard (IAS) 29 *"Financial Reporting In Hyperinflationary Economies"*, this historical cost information has been restated for changes in the general purchasing power of the ZWL and appropriate adjustments and reclassifications have been made. Accordingly, the inflation adjusted financial statement represent the primary financial statements of the Group. The historical costs financials statements have been provided by way of supplementary information.

2 New or revised Standard or Interpretation

At the date of authorisation of these inflation financial statements, several new, but not yet effective, Standards and amendments to existing Standards, and Interpretations have been published by the IASB. None of these Standards or amendments to existing Standards have been adopted early by the Group.

Management anticipates that all relevant pronouncements will be adopted for the first period beginning on or after the effective date of the pronouncement. New Standards, amendments and Interpretations not adopted in the current year have not been disclosed as they are not expected to have a material impact on the company's financial statements.

2.1 IAS 8 — Accounting Policies, Changes in Accounting Estimates and Errors- Definition of Accounting Estimates

On 12 February 2021, the IASB issued amendments to IAS 8-Accounting Policies, Changes in Accounting Estimates and Errors in which it introduces a definition of 'accounting estimates'. The amendments clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. Also, they clarify how entities use measurement techniques and inputs to develop accounting estimates.

Group statement of accounting policies (continued)

2 New or revised Standard or Interpretation (continued)

2.1 IAS 8 — Accounting Policies, Changes in Accounting Estimates and Errors- Definition of Accounting Estimates (continued)

The amendments are effective for annual periods beginning on or after 1 January 2023 and apply to changes in accounting policies and changes in accounting estimates that occur on or after the start of that period. Earlier application is permitted as long as this is disclosed.

2.2 Amendments to IAS 1 Classification of Liabilities as Current or Non-Current

The amendment clarifies that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period. Classification is unaffected by expectations of the entity or events after the reporting date (for example, the receipt of a waiver or a breach of covenant). The amendment is effective for annual periods beginning on or after 1 January 2022, with early application permitted.

2.3 Amendments to IAS 16: Property, Plant and Equipment — Proceeds before Intended Use

The amendment to IAS 16 prohibits an entity from deducting from the cost of an item of PPE any proceeds received from selling items produced while the entity is preparing the asset for its intended use (for example, the proceeds from selling samples produced when testing a machine to see if it is functioning properly). The proceeds from selling such items, together with the costs of producing them, are recognised in profit or loss.

2.4 Covid-19-Related Rent Concessions beyond 30 June 2021 (Amendment to IFRS 16)

The Changes in Covid-19-Related Rent Concessions beyond 30 June 2021 (Amendment to IFRS 16) amend IFRS 16 to permit a lessee to apply the practical expedient regarding COVID-19-related rent concessions to rent concessions for which any reduction in lease payments affects only payments originally due on or before 30 June 2022 (rather than only payments originally due on or before 30 June 2021); and specify that, in the reporting period in which a lessee first applies the amendment, a lessee is not required to disclose the information required by paragraph 28(f) of IAS 8.

3 Summary of significant policies

The financial statements have been prepared using the significant accounting policies and measurement bases summarised below:

3.1 Foreign currency translation

Foreign currency transactions are translated into the functional currency of the Group, using the exchange rates prevailing at the dates of the transactions (spot exchange rate). Foreign exchange gains and losses resulting from the settlement of such transactions and from the re-measurement of monetary items denominated in foreign currency at year-end exchange rates are recognised in profit or loss.

Group statement of accounting policies

for the year ended 31 December 2021 (continued)

3 Summary of significant policies (continued)

3.1 Foreign currency translation (continued)

Non-monetary items are not retranslated at year-end and are measured at historical cost (translated using the exchange rates at the transaction date), except for non-monetary items measured at fair value which are translated using the exchange rates at the date when fair value was determined.

In the Group's financial statements, all assets, liabilities and transactions of the entities with a functional currency other than the US dollar, are translated into ZWL dollars upon consolidation. The functional currency of the Group has remained unchanged during the reporting period.

3.2 Inventory

Inventories are initially recognised at cost, and subsequently at the lower of cost and net realisable value. Cost comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. Impairment test is conducted for slow moving inventory.

3.3 IFRS 15 Revenue from Contract with Customers

The Group adopted IFRS 15 which applies to the Annual Financial Statements for the period beginning on or after 1 January 2018. The objective of IFRS 15 –Revenue from Contracts with Customers, is to establish the principles that an entity shall apply to report useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from a contract with a customer.

The Fund uses a 5-step model for revenue recognition from contracts with customers;

- 1 Identify the performance obligations in the contract;*
- 2 Identification of separate performance obligations in the contract;*
- 3 Determine the transaction price;*
- 4 Allocate the transaction price to the performance obligations; and*
- 5 Recognise revenue when (or as) the entity satisfies a performance obligation.*

The Group complied with the requirements of the IFRS 15 in all respects, an assessment on the main type of revenue which is levies collected by Zimbabwe Electricity Transmission and Distribution Company on behalf of the Group, was done, and it was established that the application of IFRS 15 was not applicable as the revenue recognized did not meet the 5-step model of revenue recognition. The Group therefore uses the accrual basis method to recognise revenue.

Group statement of accounting policies
for the year ended 31 December 2021 (continued)

3 Summary of significant policies (continued)

3.4 Other revenue

Other income is accrued on a time basis by reference to the principal amount outstanding and or received and effective interest rate applicable.

3.5 Property, Plant and Equipment

Items of property and equipment are initially recognised at cost. As well as the purchase price, cost includes directly attributable costs and the estimated present value of any future unavoidable costs of dismantling and removing items. The corresponding liability is recognised within provisions.

Subsequent costs are included in the assets' carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the entity and the cost can be measured reliably. All other repairs and maintenance costs are charged to the statement of comprehensive income during the period in which they are incurred. The assets' useful lives and residual values are reviewed, and adjusted if appropriate, at each statement of financial position date.

Land and capital work-in-progress are not depreciated. Depreciation on assets under construction does not commence until they are complete and available for use. Depreciation is provided on all other items of property and equipment so as to write off their carrying value over their expected useful economic lives. It is provided on a straight line basis over the remaining useful lives at the following rates:

Buildings	50 years
Plant and machinery	50 years
Computer equipment	3 years
Motor vehicles	5 years
Furniture, fittings and office equipment	5 years

Land and Buildings are revalued every two years by an independent appraiser based on market evidence of the most recent prices achieved in arm's length transactions of similar properties. During the course of the year, management carried out a revaluation of all the Group's assets. Any revaluation surplus is recognised in other comprehensive income and credited to the revaluation reserve in equity. To the extent that any revaluation decrease or impairment loss has previously been recognised in profit or loss, a revaluation increase is credited to profit or loss with the remaining part of the increase recognised in other comprehensive income. Downward revaluations of land are recognised upon appraisal or impairment testing, with the decrease being charged to other comprehensive income to the extent of any revaluation surplus in equity relating to this asset and any remaining decrease recognised in profit or loss. Any revaluation surplus remaining in equity on disposal of the asset is transferred to retained earnings.

Group statement of accounting policies

for the year ended 31 December 2021 (continued)

3 Summary of significant policies (continued)

3.5 Property, Plant and Equipment (continued)

3.5.1 Impairment of property and equipment

The carrying amount of property and equipment is reviewed at each statement of financial position date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. Impairment loss is recognised directly through the statement of comprehensive income when the carrying amounts of the assets exceed the fair values of the respective assets.

3.5.2 De-recognition of property and equipment

An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected from use or disposal.

3.6 Externally acquired intangible assets

Externally acquired and internally developed intangible assets are initially recognised at historical cost and subsequently amortised on a straight-line basis over their useful economic lives.

Intangible assets are recognised on business combinations if they are separable from the acquired entity or give rise to other contractual/legal rights. The amounts ascribed to such intangibles are arrived at by using appropriate valuation techniques.

The useful economic life of the Group's intangible assets is as follows:

SAP Software	15 years
Other computer software	4 years

3.7 Fair value measurement

A number of the Group's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities. The Group has an established control framework with respect to the measurement of fair values. This includes a valuation team that has overall responsibility for overseeing all significant fair value measurements, including Level 3 fair values, and reports directly to the Chief Financial Officer.

The valuation team regularly reviews significant unobservable inputs and valuation adjustments. If third party information, such as broker quotes or pricing services, is used to measure fair values, then the valuation team assesses the evidence obtained from the third parties to support the conclusion that these valuations meet the requirements of IFRS, including the level in the fair value hierarchy in which the valuations should be classified.

Group statement of accounting policies
for the year ended 31 December 2021 (continued)

3 Summary of significant policies (continued)

3.7 Fair value measurement (continued)

When measuring the fair value of an asset or a liability, the Group uses observable market data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows.

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs). If the inputs used to measure the fair value of an asset or a liability fall into different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement. The Group recognises transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred. For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

3.8 Financial instruments

3.8.1 Recognition and de-recognition

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the financial instrument. Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and substantially all the risks and rewards are transferred. A financial liability is derecognised when it is extinguished, discharged, cancelled or expires.

3.8.2 Classification and initial measurement of financial assets

Except for those trade receivables that do not contain a significant financing component and are measured at the transaction price in accordance with IFRS 15, all financial assets are initially measured at fair value adjusted for transaction costs (where applicable). Financial assets, other than those designated and effective as hedging instruments, are classified into the following categories:

- amortised cost
- fair value through profit or loss (FVTPL)
- fair value through other comprehensive income (FVOCI).

In the periods presented the corporation does not have any financial assets categorised as FVOCI.

Group statement of accounting policies
for the year ended 31 December 2021 (continued)

3 Summary of significant policies (continued)

3.8.3 Subsequent measurement of financial assets

Financial assets are measured at amortised cost if the assets meet the following conditions (and are not designated as FVTPL):

- they are held within a business model whose objective is to hold the financial assets and collect its contractual cash flows;
- the contractual terms of the financial assets give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding

After initial recognition, these are measured at amortised cost using the effective interest method. Discounting is omitted where the effect of discounting is immaterial. The Group's cash and cash equivalents, trade and most other receivables fall into this category of financial instruments as well as listed bonds that were previously classified as held-to-maturity under IAS 39.

3.8.4 Financial assets at fair value through profit or loss (FVTPL)

Financial assets that are held within a different business model other than 'hold to collect' or 'hold to collect and sell' are categorised at fair value through profit and loss. Further, irrespective of business model financial assets whose contractual cash flows are not solely payments of principal and interest are accounted for at FVTPL. All derivative financial instruments fall into this category, except for those designated and effective as hedging instruments, for which the hedge accounting requirements apply (see below).

3.8.5 Financial assets at fair value through profit or loss (FVTPL)

Assets in this category are measured at fair value with gains or losses recognised in profit or loss. The fair values of financial assets in this category are determined by reference to active market transactions or using a valuation technique where no active market exists. The Group accounts for financial assets at FVOCI if the assets meet the following conditions:

- they are held under a business model whose objective it is "hold to collect" the associated cash flows and sell and
- the contractual terms of the financial assets give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding. Any gains or losses recognised in other comprehensive income (OCI) will be recycled upon de-recognition of the asset.

Group statement of accounting policies

for the year ended 31 December 2021 (continued)

3 Summary of significant policies (continued)

3.8.6 Financial assets classified as available for sale under IAS 39 (comparative periods)

Available for sale financial assets are non-derivative financial assets that are either designated to this category or do not qualify for inclusion in any of the other categories of financial assets (FVTPL or held to maturity and loans and receivables). The Group's AFS financial assets include listed equity securities and debentures.

All available for sale financial assets were measured at fair value. Gains and losses were recognised in other comprehensive income and reported within the available for sale reserve within equity, except for interest and dividend income, impairment losses and foreign exchange differences on monetary assets, which are recognised in profit or loss. When the asset was disposed of or was determined to be impaired, the cumulative gain or loss recognised in other comprehensive income was reclassified from the equity reserve to profit or loss. Interest calculated using the effective interest method and dividends were recognised in profit or loss within finance income.

3.8.7 Trade and other receivables

The Group makes use of a simplified approach in accounting for trade and other receivables and records the loss allowance as lifetime expected credit losses. These are the expected shortfalls in contractual cash flows, considering the potential for default at any point during the life of the financial instrument. In calculating, the Group uses its historical experience, external indicators and forward-looking information to calculate the expected credit losses using a provision matrix.

3.8.8 Impairment of financial assets

IFRS 9's impairment requirements use more forward-looking information to recognise expected credit losses – the 'expected credit loss (ECL) model'. This replaces IAS 39's 'incurred loss model'. Instruments within the scope of the new requirements included loans and other debt-type financial assets measured at amortised cost and FVOCI, trade receivables, contract assets recognised and measured under IFRS 15 and loan commitments and some financial guarantee contracts (for the issuer) that are not measured at fair value through profit or loss.

Recognition of credit losses is no longer dependent on the Group first identifying a credit loss event. Instead the Group considers a broader range of information when assessing credit risk and measuring expected credit losses, including past events, current conditions, reasonable and supportable forecasts that affect the expected collectability of the future cash flows of the instrument.

Group statement of accounting policies
for the year ended 31 December 2021 (continued)

3 Summary of significant policies (continued)

3.8 Financial instruments

3.8.8 Impairment of financial assets (continued)

In applying this forward-looking approach, a distinction is made between:

- financial instruments that have not deteriorated significantly in credit quality since initial recognition or that have low credit risk ('Stage 1') and
- financial instruments that have deteriorated significantly in credit quality since initial recognition and whose credit risk is not low ('Stage 2').

'Stage 3' would cover financial assets that have objective evidence of impairment

'12-month expected credit losses' are recognised for the first category while 'lifetime expected credit losses' are recognised for the second category.

3.8.9 Classification and measurement of financial liabilities

As the accounting for financial liabilities remains largely the same under IFRS 9 compared to IAS 39, the Group's financial liabilities were not impacted by the adoption of IFRS 9. However, for completeness, the accounting policy is disclosed below.

The Group's financial liabilities include borrowings, trade and other payables and derivative financial instruments. Financial liabilities are initially measured at fair value, and, where applicable, adjusted for transaction costs unless the Group designated a financial liability at fair value through profit or loss. Subsequently, financial liabilities are measured at amortised cost using the effective interest method except for derivatives and financial liabilities designated at FVTPL, which are carried subsequently at fair value with gains or losses recognised in profit or loss (other than derivative financial instruments that are designated and effective as hedging instruments). All interest-related charges and, if applicable, changes in an instrument's fair value that are reported in profit or loss are included within finance costs or finance income.

3.9 Trade and other payables

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

3.10 Current and deferred income tax

The tax expense for the period comprises current and deferred income tax. Tax is recognised in the income statement, except to the extent that it relates to items recognised directly in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

Group statement of accounting policies

for the year ended 31 December 2021 (continued)

3 Summary of significant policies (continued)

3.10 Current and deferred income tax (continued)

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the reporting date in Zimbabwe where the Company generates its taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions, where appropriate, on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is recognised on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, deferred income tax liabilities are not recognised if they arise from the initial recognition of goodwill, deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the reporting date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current income tax assets and current income tax liabilities and when the deferred income tax assets and deferred income tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable or different taxable entities where there is an intention to settle the balances on a net basis.

3.11 Cash and cash equivalents

In the statement of cash flows, cash and cash equivalents include cash on hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less.

3.12 Government grants

Grants from the Government of Zimbabwe are recognised at their fair value where there is reasonable assurance that the grant will be received and the Group will comply with all attached conditions.

Grants relating to specific costs are deferred and recognised in the income statement over the period necessary to match them with the costs that they are intended to compensate.

Group statement of accounting policies

for the year ended 31 December 2021 (continued)

3 Summary of significant policies (continued)

3.13 Interest income

Interest income is recognised using the effective interest method. When a loan and receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loans and receivables is recognised using the original effective interest rate.

3.14 Employee benefits

3.14.1 Bonus plans

The Group recognises a liability and an expense for bonuses based on 10% of the annual basic salary. The Group recognises a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

3.14.2 (a) Defined contribution retirement plans

The Group participates in defined contribution retirement plans for its employees. The pension Groups are Grouped by payments from the employees and by the relevant Group's contributions taking into account the recommendations of independent qualified actuaries. The Group's contributions are expensed as incurred.

3.14.3 National Social Security Authority Scheme

The Group and its employees also contribute to the National Social Security Authority Scheme. This is a social security scheme which was promulgated under the National Social Security Act (Chapter 17:04). The Group's obligations under the scheme are limited to specific contributions as legislated from time to time.

3.14.4 Short-term employee benefits

These benefits include salaries and related payments, leave pay, medical and medical scheme payments and other employee payments related to employment conditions.

3.15 Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events and reliable estimate of the obligation can be made. The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the statement of financial position date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

3 Summary of significant policies (continued)

3.16 Leases

The Group assesses at contract inception whether a contract contains a lease. That is if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

3.16.1 The Group as a lessee

The Group applies a single recognition and measurement approach for all leases, except for short term leases and leases of low-value assets. The fund recognises lease liabilities and right of use assets.

Right of use assets

The Group recognises right-of-use assets at the commencement date of the lease (i.e. the date the underlying asset is available for use). Right of use asset is measured at cost, less accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of the right of use asset includes the amount of lease liabilities recognised, initial direct costs incurred and lease payments made at or before the commencement date less any lease incentives received. The right of use asset is depreciated on straight line basis over the shorter of the lease term and the estimated useful lives of the assets.

Lease liabilities

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index rate or a rate and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating the lease.

In calculating the present value of lease payments, the Group uses the rate implicit in the lease and if not readily determinable, it uses the incremental borrowing rate. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g. changes to future payments resulting from a change in an index rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

3.16.2 The Group as a lessor

Leases in which the Group does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. Rental income arising is accounted for on a straight-line basis over the lease terms and is included in revenue in the statement of profit or loss due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rent is recognised as revenue in the period in which they are earned.

Group statement of accounting policies
for the year ended 31 December 2021 (continued)

4 Significant judgments in applying the Group's accounting policies

In preparing the financial statements, management is required to make estimates and assumptions that affect the amounts presented in the financial statements and related disclosures. Use of available information and the application of judgment is inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the financial statements.

The following are key assumptions concerning the future, and other key sources of estimation uncertainty at the balance sheet date that have risk of causing material adjustment to the carrying amounts of asset and liabilities within the next financial year.

4.1 Trade receivables

The Group assesses its trade receivables for impairment at each statement of financial position date. In determining whether an impairment loss should be recorded in the statement of comprehensive income, the Group makes judgement as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset.

4.2 Impairment testing

The Group reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable.

Notes to the financial statements

for the year ended 31 December 2021 (continued)

	Inflation Adjusted		Historical Cost	
	2021 ZWL	2020 ZWL	2021 ZWL	2020 ZWL
5 Operating income				
Rural electrification levy	4 728 796 449	3 472 782 960	3 759 928 534	1 452 736 386
Sale of treated poles	14 636 741	34 697 851	11 937 242	14 461 298
Project fees	22 938 051	34 520 719	20 982 470	20 484 199
	4 766 371 241	3 542 001 530	3 792 848 246	1 487 681 883
Rural electrification levy is earned from Zimbabwe Electricity Transmission and Distribution Company (ZETDC) by charging a 6% levy on all electricity consumed and billed.				
6 Other income				
Connection fees income	6 772 987	813 530	6 344 833	494 221
Government grants	100 000 000	70 819 319	100 000 000	44 000 000
Low cost distribution board sales	56 230	-	55 543	-
Sundry income	9 524 306	1 900 648	8 093 278	534 960
ZERA Surplus	28 749 071	-	28 749 071	-
Gain on disposal of property, plant and equipment	7 797 764	124 742	6 124 791	17 685
	152 900 358	73 658 239	149 367 516	45 046 866
7 Cost of rural electrification projects				
Transformer and switch	79 653 533	110 784 563	64 050 147	62 129 371
Cables and accessories	142 339 972	17 018 626	118 033 917	8 011 282
Tools and hardware	12 640 202	337 099	11 502 753	129 712
Irrigation equipment	60 016	1 331	52 358	308
Solar equipment	11 292 685	328 812	9 159 003	149 685
Project fuel cost	39 052 011	9 101 736	32 959 463	4 162 241
Project service cost	4 694 088	1 293 872	3 728 371	638 806
Biogas materials	784 899	23 926	728 188	14 282
Project labour costs	437 465 795	181 925 716	364 279 954	81 048 905
Project maintenance	7 014 903	1 121 758	6 029 373	386 876
Project sundries	100 116 447	2 456 835	89 459 419	1 231 275
Transport hire cost	8 969 098	3 261 318	7 994 170	1 212 342
Project vehicle expenses	36 791 982	8 721 148	31 308 771	3 858 888
	880 875 631	336 376 740	739 285 887	162 973 973
8 Surplus before income tax				
Included in profit before taxation are the following disclosable items:				
8.1 Income				
Finance income:				
Interest received from loans and advances	1 603 798	102 074	1 539 801	28 600

Notes to the financial statements

for the year ended 31 December 2021 (continued)

	Inflation Adjusted		Historical Cost	
	2021 ZWL	2020 ZWL	2021 ZWL	2020 ZWL
8 Surplus before income tax (continued)				
8.2 Expenses				
Audit fees	4 837 829	5 403 965	4 660 788	3 101 798
Depreciation and amortisation	50 664 968	87 061 251	39 174 741	25 639 150
Directors' remuneration	4 226 722	7 360 670	3 575 482	3 675 466
Staff costs (8.2.1)	662 628 253	292 113 609	572 225 811	180 520 977
8.2.1 Staff costs				
Pension contributions	109 352 391	37 685 245	105 493 214	20 670 867
Salaries and wages	11 308 345	8 928 629	9 065 124	4 373 733
Leave provisions	2 201 246	2 935 558	2 201 246	1 826 311
NSSA contributions	3 596 283	1 317 949	3 056 033	720 007
Medical aid	25 030 139	19 161 930	19 877 874	9 329 213
Other	511 139 850	222 084 300	432 532 321	143 600 846
	<u>662 628 254</u>	<u>292 113 611</u>	<u>572 225 811</u>	<u>180 520 977</u>
9 TAXATION				
Current tax	-	(62 461)	-	(32 267)
Deferred tax	4 444 558	(5 021 110)	2 226 274	(2 847 641)
	<u>4 444 558</u>	<u>(5 083 572)</u>	<u>2 226 274</u>	<u>(2 879 908)</u>
9.1 Deferred Tax				
Arising from the temporary differences are the following:				
Wear and tear	389 830	(8 830 490)	389 830	(1 716 795)
Assessed loss	11 605 639	(24 861 635)	2 877 340	(8 316 321)
Revaluation surplus	(29 666 201)	(209 812)	(35 168 880)	(130 531)
	<u>(17 670 732)</u>	<u>(33 901 937)</u>	<u>(31 901 710)</u>	<u>(10 163 647)</u>
Opening balance	(33 901 937)	(28 818 367)	(10 163 647)	(7 283 739)
Movement through profit or loss	4 444 558	(5 021 110)	2 226 274	(2 847 641)
Movement through other comprehensive income	11 797 548	(62 460)	(23 964 337)	(32 267)
Closing balance	<u>(17 659 832)</u>	<u>(33 901 937)</u>	<u>(31 901 710)</u>	<u>(10 163 647)</u>

10. Property, plant and equipment

	Inflation Adjusted							
	Land ZWL	Buildings ZWL	Plant and machinery ZWL	Furniture and fittings ZWL	Motor vehicles ZWL	Office equipment ZWL	Computer equipment ZWL	Total ZWL
Year ended 31 December 2020								
Opening carrying amount	35 082 884	111 216 158	173 098 646	51 914 846	419 631 585	36 190 728	71 221 256	898 356 103
Additions	-	-	107 634	419 594	117 680 262	5 540 863	89 191	123 837 544
Disposal	-	-	-	-	(405 587)	-	-	(405 587)
Depreciation on disposal	-	-	-	-	405 587	-	-	405 587
Depreciation charge for the year	-	(1 590 655)	(2 987 876)	(8 085 086)	(50 173 296)	(5 754 225)	(14 119 921)	(82 711 058)
Closing carrying amount	35 082 884	109 625 503	170 218 404	44 249 354	487 138 551	35 977 366	57 190 526	939 482 589
At 31 December 2020								
Cost	35 082 884	111 216 158	173 206 280	52 334 440	537 311 847	41 731 591	71 310 447	1 022 193 647
Accumulated depreciation	-	(1 590 655)	(2 987 876)	(8 085 086)	(50 173 296)	(5 754 225)	(14 119 921)	(82 711 058)
Carrying amount	35 082 884	109 625 503	170 218 404	44 249 354	487 138 551	35 977 366	57 190 526	939 482 589
Year ended 31 December 2021								
Opening carrying amount	35 082 884	109 625 503	170 218 404	44 249 354	487 138 551	35 977 366	57 190 526	939 482 589
Additions	-	-	-	7 569 096	56 741 542	25 708 207	6 477 771	96 496 616
Revaluation	99 717 116	92 963 804	(21 454 723)	(10 778 499)	(246 977 557)	(28 660 011)	(14 819 316)	(130 009 186)
Disposal	-	-	-	(321 655)	(870 768)	(234 111)	(499 767)	(1 926 301)
Depreciation on disposals	-	-	-	321 655	870 768	234 111	499 767	1 926 301
Depreciation charge for the year	-	(403 108)	(621 213)	(2 006 763)	(24 924 300)	(2 374 410)	(9 608 101)	(39 937 894)
Closing carrying amount	134 800 000	202 186 199	148 142 468	39 033 188	271 978 236	30 651 152	39 240 880	866 032 124
At 31 December 2021								
Cost	134 800 000	202 186 199	148 142 468	39 033 188	271 978 236	30 651 152	39 240 880	866 032 124
Accumulated depreciation and impairment	-	-	-	-	-	-	-	-
Carrying amount	134 800 000	202 186 199	148 142 468	39 033 188	271 978 236	30 651 152	39 240 880	866 032 124

Notes to the financial statements

for the year ended 31 December 2021 (continued)

10. Property, plant and equipment

	Historical Cost							Total
	Land	Buildings	Plant and Machinery	Furniture and fittings	Motor vehicles	Office equipment	Computer equipment	
	ZWL	ZWL	ZWL	ZWL	ZWL	ZWL	ZWL	ZWL
Year ended 31 December 2020								
Opening carrying amount	4 865 574	15 308 509	24 305 842	7 066 715	58 101 926	4 774 421	9 630 178	124 053 165
Additions	-	-	15 254	129 643	16 883 375	2 815 403	60 504	19 904 178
Disposal	-	-	-	-	(56 250)	-	-	(56 250)
Depreciation on disposal	-	-	-	-	56 250	-	-	56 250
Depreciation charge for the year	-	(306 283)	(481 408)	(1 454 603)	(16 163 021)	(1 634 543)	(3 249 340)	(23 289 197)
Carrying amount	4 865 574	15 002 226	23 839 688	5 741 755	58 822 280	5 955 281	6 441 342	120 668 146
At 31 December 2020								
Cost/Valuation	4 865 574	15 308 509	24 321 096	7 196 358	74 985 301	7 589 824	9 690 682	143 957 343
Accumulated depreciation	-	(306 283)	(481 408)	(1 454 603)	(16 163 021)	(1 634 543)	(3 249 340)	(23 289 197)
Closing carrying amount	4 865 574	15 002 226	23 839 688	5 741 755	58 822 280	5 955 281	6 441 342	120 668 146
Year ended 31 December 2021								
Opening carrying amount	4 865 574	15 002 226	23 839 688	5 741 755	58 822 280	5 955 281	6 441 342	120 668 146
Additions	-	-	-	7 260 327	44 539 498	5 328 666	17 475 042	74 603 533
Revaluation	129 934 426	187 486 373	124 790 173	27 491 987	187 842 702	21 155 187	22 873 873	701 574 721
Disposal	-	-	-	(247 618)	(670 338)	(180 224)	(384 732)	(1 482 912)
Depreciation on disposals	-	-	-	247 618	670 338	180 224	384 732	1 482 912
Depreciation charge for the year	-	(302 399)	(487 392)	(1 460 878)	(19 226 244)	(1 787 987)	(7 549 376)	(30 814 276)
Carrying amount	134 800 000	202 186 200	148 142 469	39 033 191	271 978 236	30 651 147	39 240 881	866 032 124
At 31 December 2021								
Cost	134 800 000	202 186 200	148 142 469	39 033 191	271 978 236	30 651 147	39 240 881	866 032 124
Accumulated depreciation	-	-	-	-	-	-	-	-
Closing carrying amount	134 800 000	202 186 200	148 142 469	39 033 191	271 978 236	30 651 147	39 240 881	866 032 124

Notes to the financial statements
for the year ended 31 December 2021 (continued)

11 Intangible assets

	Inflation adjusted		Historical cost	
	2021 ZWL	2020 ZWL	2021 ZWL	2020 ZWL
Opening net book amount	333 077 675	338 099 359	44 362 672	46 712 161
Additions	455 607	-	309 150	-
Prior period error	-	(705 046)	-	(97 800)
Revaluation	(152 438 426)	190 210	(18 350 993)	98 264
Impairment	(154 021 723)	-	-	-
Amortisation charge	(3 117 713)	(4 506 848)	(2 365 410)	(2 349 953)
Closing carrying amount	23 955 420	333 077 675	23 955 419	44 362 672
Cost/Valuation	23 955 420	337 737 450	23 955 419	46 712 625
Accumulated amortisation	-	(4 659 775)	-	(2 349 953)
Carrying amount as at 31 December 2021	23 955 420	333 077 675	23 955 419	44 362 672

Intangible assets consist of computer software, SAP system and business online. These are deemed to have a finite useful life and are amortised over a period of up to 15 years.

12 Loans and advances

Loans receivable	1 772 912	3 290 883	1 772 912	2 047 371
Expected credit loss allowance	(1 701 638)	(3 146 141)	(1 701 638)	(1 957 322)
	71 274	144 742	71 274	90 049
12.1 Non current portion	64 677	134 138	64 677	83 452
12.2 Current portion	6 597	10 604	6 597	6 597
	71 274	144 742	71 274	90 049

The housing loans to Directors, managers and employees are secured by mortgage bonds on property and bear interest at 3% for Directors and 5% for managers and employees and are as determined by the retirement age or up to the end of a contract for those on fixed term contracts.

Notes to the financial statements
for the year ended 31 December 2021 (continued)

	Inflation Adjusted		Historical Cost	
	2021 ZWL	2020 ZWL	2021 ZWL	2020 ZWL
13 Inventory				
Transformer and switches	113 050 879	233 324 140	77 293 110	46 214 168
Cables and accessories	229 193 336	824 025 224	160 166 808	83 643 262
Tools and hardware	16 852 446	12 737 118	12 872 935	663 774
Motor spares	28 624	402 457	18 988	18 053
Irrigation equipment	738 855	1 828 290	493 266	67 063
Solar equipment	3 714 109	60 791 203	2 407 669	2 214 036
Finished goods	8 052 556	7 746 938	5 011 285	1 661 166
Fuel stocks	5 261 376	6 490 772	3 452 540	395 525
Stationery	827	12 820	542	542
Biogas materials	1 538 397	5 137 584	1 359 539	253 494
	378 431 405	1 152 496 546	263 076 682	135 131 083
Impairment of inventory	(10 240 080)	(10 240 080)	(440 359)	(432 816)
	368 191 325	1 142 256 466	262 636 323	134 698 267
14 Trade and other receivables				
Trade receivables	4 398 136 880	2 928 487 913	4 398 136 880	1 821 912 760
Allowance for expected credit losses	20.3 (1 188 730 016)	(807 728 228)	(1 188 730 016)	(502 515 431)
Trade receivables (net)	3 209 406 864	2 120 759 685	3 209 406 864	1 319 397 329
Other receivables (Note 14.1)	21 060 337	30 367 339	21 060 337	18 892 563
	3 230 467 201	2 151 127 024	3 230 467 201	1 338 289 892
14.1 Other receivables				
REA solar equipment	-	27 719	-	17 245
Other debtors	10 808 430	6 174 857	10 808 430	3 841 590
Prepayments	10 251 907	24 164 763	10 251 907	15 033 728
	21 060 337	30 367 339	21 060 337	18 892 563
All amounts are short-term. The net carrying value of trade receivables is considered a reasonable approximation of fair value. All of the Group's trade and other receivables have been reviewed for indicators of impairment.				
15 Cash and cash equivalents				
Cash on hand	712	228 819	712	142 356
Bank balances	344 920 996	56 814 065	344 920 996	35 345 978
	344 921 708	57 042 884	344 921 708	35 488 334

**Notes to the financial statements
for the year ended 31 December 2021 (continued)**

16 Post Employment Benefits

Defined benefit plan

Some staff members of REF are part of the ZESA Staff Pension Fund. The ZESA Staff Pension Fund is a Defined Benefit retirement scheme offering benefits equal to 1.8% of salary for each year of service. ZESA operates a defined benefit pension plan based on employee pensionable remuneration and length of service. The plan is unfunded as it does not hold sufficient assets to meet the pension obligation due.

Pension benefits (Note 16.1)

16.1 Liability in statement of financial position:

	Inflation Adjusted		Historical Cost	
	2021	2020	2021	2020
	ZWL	ZWL	ZWL	ZWL
At 1 January	76 239 583	52 873 798	21 869 616	7 332 960
Interest cost	-	1 493 673	2 726 509	929 265
Actuarial gains	30 809 705	21 872 112	82 453 163	13 607 391
At 31 December	<u>107 049 288</u>	<u>76 239 583</u>	<u>107 049 288</u>	<u>21 869 616</u>

In the consolidated ZESA pension fund the total plan assets are 22.14% of the obligation. According to the actuary, current pensioners which currently constitute 51.3% have the first claim to the assets. Therefore, the actuary has taken a conservative approach and not allocated any assets to the Rural Electrification Fund.

The principal actuarial assumptions were as follows:

Discount rate	13%	13%
Expected return on plan assets	13%	13%
Future salary increases	11%	11%
Future pension increases	7%	7%
Future average working life (years)	6.91	15.4

17 Trade and other payables

REA One-time credit	27 496 399	40 036 639	27 496 399	24 869 338
REA Foreign trade creditors	-	26 597 434	-	16 547 176
Down payment received	21 019 212	7 144 252	21 019 212	4 444 684
Other payables	<u>205 047 746</u>	<u>106 141 994</u>	<u>205 047 746</u>	<u>66 034 574</u>
	<u>253 563 357</u>	<u>179 920 319</u>	<u>253 563 357</u>	<u>111 895 772</u>

18 Deposits for Customer Driven Projects

Fully paid

Inflation adjusted		Historical cost	
2021	2020	2021	2020
ZWL	ZWL	ZWL	ZWL
6 583 098	7 964 396	6 583 098	4 954 924

During the year ended 31 December 2012, the board resolved to recognise a liability in connection with deposits that were paid by customers for the installation of electricity prior to the change in functional currency. During that time, some customers had paid in full whilst others had partially paid. The Fund targets to complete work for the fully paid customers by 31 December 2021. Following pronouncements made by the Reserve Bank in 2015, on conversion rates from ZWD to USD, which zeroed the prepayments that had been made, a resolution was subsequently passed in 2016 to derecognise the partially paid customer driven projects.

19 Contingencies and commitments

19.1 Capital Commitments

The Group had no significant capital commitments authorised by the directors or contracted for at the reporting date.

19.2 Operating lease commitments

The Group leases a number of office buildings and warehouses across the various provinces of the country under cancellable operating lease agreements. The tenure of the leases range from 1 year or leases exceeding one year, the lease agreements are renewable at the end of the lease period at market rates. The Group is required to give a three-month notice for the termination of these agreements.

19.3 Contingent Assets

The Group has taken legal action to recover an amount of ZWL637 108 before interest from Lomagundi Poles (Private) Limited for wood poles not delivered.

20 Financial risk management objectives and policies

The Group's principal financial liabilities, comprise of loans and trade payables. The main purpose of these financial liabilities is to raise finance for the Group's operations. The Group has various financial assets such as trade receivables and cash, which arise directly from its operations. Exposure to credit, interest rate and currency risk arises in the normal course of the Group's business.

The main risks arising from the Fund's financial instruments are cash flow interest rate risk, foreign currency risk and credit risk. The Board of Directors reviews and agrees policies for managing each of these risks which are summarised below:

Notes to the financial statements

for the year ended 31 December 2021 (continued)

20 Financial risk management objectives and policies

20.1 Interest rate risk

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's long and short term debt obligations and bank overdrafts. The Group's policy is to manage its interest cost using a mix of fixed and variable rate debts.

20.2 Foreign currency risk

The Group has no significant foreign denominated balances at the reporting date. Therefore, the risk related to changes in foreign exchange rates is minimal.

20.3 Credit risk

The Group applies the IFRS 9 simplified model of recognising lifetime expected credit losses for all trade receivables as these items do not have a significant financing component. In measuring the expected credit losses, the trade receivables have been assessed on a collective basis as they possess shared credit risk characteristics. They have been grouped based on the days past due of customers.

The expected loss rates are based on the payment profile for sales over the past 48 months before 31 December 2018 and 1 January 2019 respectively as well as the corresponding historical credit losses during that period. The historical rates are adjusted to reflect current and forwarding looking macroeconomic factors affecting the customer's ability to settle the amount outstanding. The Group has identified historical payment patterns be the most relevant factor and accordingly adjusts historical loss rates for expected changes in these factors. However, given the short period exposed to credit risk, the impact of these macroeconomic factors has not been considered significant within the reporting period.

Trade receivables are written off (i.e. derecognised) when there is no reasonable expectation of recovery. Failure to make payments within agreed timeframe and failure to engage with the Group on alternative payment arrangement amongst other is considered indicators of no reasonable expectation of recovery.

On the above basis the expected credit loss for trade receivables as at 31 December 2021 and 1 January 2021 was determined as follows:

1 January 2021					
	Current	More than 30 days	More than 60 days	More than 90 days	Total
Expected credit loss rate	5.24%	14.32%	32.20%	32.26%	27.58%
Gross Carrying amount	80 679 970	351 886 344	557 197 705	832 165 986	1 821 930 005
Lifetime expected loss	4 226 376	50 386 389	179 418 497	268 484 169	502 515 431
31 December 2021					
	Current	More than 30 days	More than 60 days	More than 90 days	Total
Expected credit loss rate	5%	16%	33%	27%	27%
Gross Carrying amount	58 154 668	153 471 299	211 624 340	3976 466 892	4 399 717 199
Lifetime expected loss	3 061 589	24 100 293	69 792 383	1 091 775 752	1 188 730 016

Notes to the financial statements

for the year ended 31 December 2021 (continued)

20.3 Credit risk (continued)

The closing balance of the trade receivables loss allowance as at 31 December 2021 reconciles with the trade receivables loss allowance opening balance as follows:

	Inflation adjusted		Historical Cost	
	2021 ZWL	2020 ZWL	2021 ZWL	2020 ZWL
Opening loss allowance as at 1 January	501 468 677	78 948 029	502 515 431	47 464 742
Loss allowance recognised during the year	687 261 339	423 567 402	686 214 585	455 050 689
Loss allowance as at 31 December	1 188 730 016	502 515 431	1 188 730 016	502 515 431
Unrealised exchange gains (losses)				
Exchange gain - Nostro	1 103 461	-	1 103 461	-
Exchange loss - No consult	-	(18 498 030)	-	(11 508 297)
Exchange loss - customer driven projects	(2 607 081)	(6 390 910)	(2 607 081)	(3 976 017)
Exchange gain - ZETDC	706 926 896	1012 303 432	706 926 896	629 788 732
Exchange loss- lease liability	(9 684 572)	-	(8 457 321)	-
	695 738 704	987 414 492	696 965 955	614 304 418

21 Leases

21.1 Right of use

	Inflation Adjusted		Historical Cost	
Year ended 31 December				
Opening carrying amount	-	-	-	-
Additions	48 200 241	-	32 700 299	-
Depreciation	(7 609 360)	-	(5 995 055)	-
Closing carrying amount	40 590 881	-	26 705 244	-
As at 31 December				
Cost	48 200 241	-	32 700 299	-
Accumulated depreciation	(7 609 360)	-	(5 995 055)	-
Closing carrying amount	40 590 881	-	26 705 244	-

21.2 Lease liabilities

Balance as at 1 February	31 988 727	-	31 988 727	-
Interest expense	4 465 944	-	3 536 246	-
Payments	(10 582 481)	-	(8 425 532)	-
Effects of changes in exchange rates	9 684 572	-	8 457 321	-
Balance as at 31 December	35 556 762	-	35 556 762	-
Reconciliation				
Current	7 176 732		7 176 732	
Non-Current	28 380 030		28 380 030	
Total	35 556 762	-	35 556 762	-

Notes to the financial statements
for the year ended 31 December 2021 (continued)

22 COVID-19

The unprecedented COVID-19 pandemic had an adverse impact on the economy and is expected to continue affecting global supply chains and aggregate demand. Restrictions and lockdowns were implemented by the government throughout the year to mitigate transmissions. The government managed to procure vaccines early and made concerted effort to get the population vaccinated. The country witnessed a fourth wave of the highly transmissible Omicron variant infections which did not significantly affect business operations as restrictions and fatalities were low. The Fund remains confident that the measures implemented to ensure the safety of its workforce will enable operations to continue with minimal disruptions.

23 Events after the reporting date -Russia - Ukraine war

Subsequent to year end, and at the time of finalising the financial statements, the Russian invasion of Ukraine has had a significant impact on commodity prices, including increased oil, gas, other commodities (ammonium nitrate, copper, steel etc.) and gold prices. The oil price is a driver for a number of input costs for the Group including diesel and transport costs.

Management considered the impact of the high inflationary environment in the business planning process used to determine the 2022 operational plan and guidance. However, further significant increases in oil, gas and other commodity prices could have an adverse effect on the Group's business operating results (including increased all in costs) and financial conditions.

FINANCIAL STATEMENTS FOR RURAL ELECTRIFICATION FUND



Donsa Rural Health Centre in Zhombe area was electrified together with eight schools and a business centre by REF.

Rural Electrification Fund (REF)

Annual Financial Statements 31 December 2021

NATURE OF BUSINESS:

Rural Electrification Fund (REF) facilitates rapid and equitable electrification of the rural areas of Zimbabwe and promote productive use of electricity through identifying rural electrification projects and exploring funding modalities and empowerment of rural communities of Zimbabwe.

DIRECTORS:

Chiwewe W.	(Board Chairman)
Mashamba J. V.	(Chief Executive Officer)
Chitiyo C.	(Vice Chairman)
Dhlamini L. L.	(Non-Executive Director)
Maronge A.	(Non-Executive Director)
Ndemera P.	(Non-Executive Director)
Seenza E.	(Non-Executive Director)
Mbetsa S. F.	(Non-Executive Director)
Chiringa C.	(Non-Executive Director)
Chikonye N. S.	(Non-Executive Director)
Katamahufa T.	(Non-Executive Director)
Ncube S.	(Non-Executive Director)

REGISTERED OFFICE:

Rural Electrification Fund
44 Samora Machel Avenue
Megawatt Building
HARARE

LAWYERS:

Mbidzo, Muchadehama and Makoni

Mawire and Associates

Gill Goldlonton and Gerrans

AUDITORS:

Grant Thornton
Chartered Accountants (Zimbabwe)
Camelsa Business Park
135 Enterprise Road
Highlands
HARARE

BANKERS:

CBZ Bank Limited
60 Kwame Nkrumah Avenue
HARARE

ZB Bank
ZB House
First Street
HARARE

Stanbic Bank
59 Samora Machel Avenue
HARARE

BANC ABC Bank
67 Samora Machel Avenue
HARARE

NMB Bank
20 King Gorge Road,
HARARE

These financial statements are expressed in Zimbabwe Dollars (ZWL).

Rural Electrification Fund

Responsibilities of Management and Those Charged with Governance for the Inflation Adjusted Annual Financial Statements for the year ended 31 December 2021

It is the Directors' responsibility to ensure that the inflation adjusted annual financial statements fairly present the state of affairs of Rural Electrification Fund. The external auditors are responsible for independently reviewing and reporting on the inflation adjusted annual financial statements.

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

The inflation adjusted annual financial statements are prepared with the aim of complying fully with International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standards Board (IASB), which includes standards and interpretations approved by the IASB and Standing Interpretations Committee (SIC) interpretations issued under previous constitutions.

The Conceptual Framework for Financial Reporting requires that in applying fair presentation of financial statements, entities should go beyond the consideration of the legal form of transactions and any other factors that could have an impact on them. IAS 21 requires an entity to apply certain parameters in determining the functional currency of an entity for use in the preparation of its financial statements. This standard also requires an entity to make certain judgments, where applicable, regarding appropriate exchange rates between currencies where exchangeability through a legal and market exchange mechanism is not achievable.

The requirement to comply with Statutory Instrument (S.I) 33 of 2019 as enacted by the Finance Act No. 2 of 2019 created inconsistencies with IAS 21, as well as the principles embedded in the Conceptual Framework for Financial Reporting. This has resulted in the adoption of the accounting treatment in the prior year's financial statements, which deviates from that which would have been applied if the Fund had been able to fully comply with IFRS.

The Directors carried out an impact on the effect of Covid 19 on the Fund's operations and income streams and came to a conclusion that the impact is not material to affect the ability of the Fund to continue as a going concern for the twelve months ended 31 December 2021.

The Fund's accounting and internal control systems are designed to provide reasonable assurance as to the integrity and reliability of the financial statements and to adequately safeguard, verify and maintain accountability of its assets. Such controls are based on established written policies and procedures and all employees are required to maintain the highest ethical standards in ensuring that the Fund's business practices are conducted in a manner which in all reasonable circumstances is above reproach. Issues that come to the attention of the Directors have been addressed and the Directors confirm that the system of accounting and internal control is operating in a satisfactory manner.

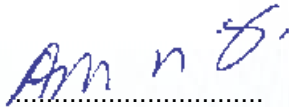
Rural Electrification Fund

The Fund's inflation adjusted annual financial statements for the year ended 31 December 2021 which are set out on pages 93 to 118 were, in accordance with their responsibilities, approved by the Board of Directors on **14 November 2022** and are signed on its behalf by:



Makumbinde F.

Finance Director



Maronge A.

Non-Executive Director



Eng. J. V. Mashamba

Chief Executive Officer



Chiwewe W. A.

Board Chairman

INDEPENDENT AUDITOR'S REPORT

To the members of Rural Electrification Fund (REF)

Report on the Audit of the Financial Statements

Adverse Opinion

We have audited the inflation adjusted financial statements of Rural Electrification Fund as set out on pages 93 to 118, which comprise the inflation adjusted statement of financial position as at 31 December 2021, the inflation adjusted statement of profit or loss and other comprehensive income, the inflation adjusted statement of changes in equity and the inflation adjusted statement of cash flows for the year then ended, and the notes to the inflation adjusted financial statements, including a summary of significant accounting policies.

In our opinion, because of the significance of the matters described in the *Basis for Adverse Opinion* section of our report, the inflation adjusted financial statements do not present fairly, in all material respects, the financial position of Rural Electrification Fund as at 31 December 2021, and its inflation adjusted financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for Adverse Opinion

Non-compliance with International Accounting Standard (IAS) 21 - The Effect of Changes in Foreign Exchange Rates in the prior financial years and International Accounting Standard (IAS) 8 – Accounting Policies, Changes in Accounting Estimates and Errors

During the prior financial years, the foreign currency denominated transactions and balances of the Fund were translated into ZWL using the interbank exchange rates which were not considered appropriate spot rates for translations as required by IAS 21. The opinion on the prior year financial statements was modified in respect of this matter and the misstatements have not been corrected in the financial statements for the year ended 31 December 2021.

As the non-compliance with IAS 21 is from prior financial years and there have been no restatements to the prior year financial statements in accordance with IAS 8, some comparative numbers in the financial statements may be misstated. Our opinion on the current year financial statements is modified because of the possible effects of the above matters on the comparability of the current year's figures to corresponding figures of the comparative period. As a result of the residual effects of the non-compliance with IAS 21 and the non-restatement of the comparative figures in accordance with IAS 8, the accumulated loss may contain misstatements.

The effects of the above non-compliance with International Financial Reporting Standards were considered to be material but not pervasive to the financial statements.

Had the financial statements been prepared in accordance with the requirements of IAS 21, many elements would have been materially different. The effects of the non-compliance with the requirements of IAS 21 have been considered to be material and pervasive to the financial statements as a whole.

Non-compliance with International Accounting Standard (IAS) 29 – Financial Reporting in Hyperinflationary Economies

Although IAS 29 has been applied correctly, its application was based on prior period financial information which was not in compliance with IAS 21 as described above. Had the correct base numbers been used, some elements of the financial statements (including monetary gain/loss) would have been materially different. The impact of the departure from the requirements of these standards is considered material but not pervasive to the financial statements for the year ended 31 December 2021.

Valuation of property and equipment

The determination of fair values for property and equipment presented in the financial statements is affected by the prevailing economic environment. These financial statements include property and equipment that was revalued by independent professional valuers as at 31 December 2021. The property and equipment valuations were determined in USD and then translated to ZWL at the interbank foreign exchange rate as at 31 December 2021.

Although the determined USD values as at 31 December 2021 reflected the fair value of the property, plant and equipment in USD as at that date, the converted ZWL fair values were not in compliance with IFRS 13 as they may not reflect the assumptions that market participants would apply in valuing similar items of property, plant and equipment in ZWL. No subsequent revaluations were done in the financial statements.

Lack of sufficient appropriate audit evidence to prove ownership of land.

Included in the Fund's property and equipment is a piece land located in Matabeleland North valued at ZWL 7 000 000 which constitutes 5% of the total land value for which no ownership documents were provided.

In addition, the Fund's property and equipment includes land to the value of ZWL 6 000 000 located in Matabeleland, which is under a lease to purchase agreement with the Municipality of Gwanda. However, as at year end the Fund had not met the lease terms and conditions as stipulated in the contract which would allow transfer of ownership.

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Annual Financial Statements section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current year. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matters described in the Basis for Adverse Opinion section, we have determined the matters described below to be the key audit matters to be communicated in our report.

Key Audit Matter	How our audit addressed the key Audit Matter
Revenue recognition <ul style="list-style-type: none"> There is a presumed risk of inappropriate revenue recognition specifically identified in ISA 240 (R), 'The auditors' responsibility to consider fraud in 	<ul style="list-style-type: none"> Our audit procedures include testing of design, existence and operating effectiveness of internal controls implemented as well as test of details to

<p>the audit of financial statements. This is a significant risk and accordingly a key audit matter.</p>	<p>ensure accurate processing of revenue transactions.</p> <ul style="list-style-type: none"> • We identified key controls and tested these controls to obtain satisfaction that they were operating effectively for the year under review. • The results of our controls testing have been the basis for the nature and scoping of the additional test of details, which mainly consisted of testing individual transactions by reconciling them to external sources (supporting documentation). • We confirmed the revenue balance with Zimbabwe Electricity Distribution Company (ZETDC). • Furthermore, we performed analytical procedures and assessed the reasonableness of explanations provided by management. • We satisfied ourselves that the Fund's revenue recognition policy is appropriate.
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Other information

The Directors are responsible for the other information. The other information comprises the Chairman's statement, Chief executive officer's statement and the Directors' Report which we obtained prior to the date of this auditor's report. The other information does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance or conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements, or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Emphasis of Matter

We draw attention to **note 25** to the financial statements, which describes the uncertainties relating to the possible effects of the COVID-19 pandemic on the Fund.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRSs, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going

concern basis of accounting unless management either intends to liquidate the Fund or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Fund's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Fund to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Fund to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the Fund audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other legal and regulatory requirements

In our opinion, except for the non-compliance with International Accounting Standards as described in our *Basis for Adverse Opinion*, the financial statements have been properly prepared in compliance with the requirements of Rural Electrification Fund Act (Chapter 13:20) and Public Finance Management Act (Chapter 22:19).

The engagement partner on the audit resulting in this Independent Auditor's Report is Alice Mafanuke.

Alice Mafanuke
Partner

Grant Thornton

Registered Public Auditor (PAAB No: 0465)

Grant Thornton
Chartered Accountants (Zimbabwe)
Registered Public Auditors
Harare.

15 November 2022

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31ST DECEMBER 2021

		Inflation Adjusted		Historical Cost	
	Notes	2021 ZWL	2020 ZWL	2021 ZWL	2020 ZWL
Rural electrification levy	5	4 728 796 449	3 472 782 960	3 759 928 534	1 452 736 386
Other income	6	147 810 742	73 032 637	144 827 032	44 864 718
Total income		4 876 607 191	3 545 815 597	3 904 755 566	1 497 601 104
Cost of rural electrification projects	7	(880 875 631)	(336 376 738)	(739 285 887)	(162 973 973)
Net operating income		3 995 731 560	3 209 438 859	3 165 469 679	1 334 627 131
Administrative expenses		(2 015 653 306)	(768 947 429)	(1 710 108 782)	(781 084 129)
Surplus from operations		1 980 078 254	2 440 491 430	1 455 360 897	553 543 002
Finance income	8.1	1 603 798	85 147	1 539 801	18 248
Interest expense	24	(4 465 944)	-	(3 536 246)	-
(Deficit) /surplus before exchange losses		1 977 216 108	2 440 576 577	1 453 364 452	553 561 250
Unrealised exchange gains	23	695 738 704	987 414 492	696 965 955	614 304 418
Surplus before monetary loss		2 672 954 812	3 427 991 069	2 150 330 407	1 167 865 668
Net monetary loss		(2 299 376 334)	(2 321 408 193)	-	-
Surplus before income tax		373 578 478	1 106 582 876	2 150 330 407	1 167 865 668
Income tax expense	9	-	-	-	-
Surplus for the year		373 578 478	1 106 582 876	2 150 330 407	1 167 865 668
Other Comprehensive Income:					
Revaluation reversal on intangible assets	11	(152 438 426)	-	(18 523 616)	-
Revaluation reversal on property and equipment		(82 145 575)	-	559 478 413	-
Other comprehensive (loss)/income		(234 584 001)	-	540 954 797	-
Total comprehensive income for the year		138 994 477	1 106 582 876	2 691 285 204	1 167 865 668

STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2021

		Inflation adjusted		Historical Cost	
	Notes	2021 ZWL	2020 ZWL	2021 ZWL	2020 ZWL
ASSETS					
Non-current assets					
Property and equipment	10	694 966 173	718 922 676	694 966 173	90 429 081
Intangible assets	11	23 738 087	332 964 890	23 738 087	44 291 126
Investment in subsidiary	12	23 694 304	23 694 304	3 286 156	3 286 156
Loans and advances	13.1	64 677	134 137	64 677	83 451
Right of use asset	24.1	40 590 881	-	26 705 244	-
		783 054 122	1 075 716 007	748 760 337	138 089 814
Current assets					
Inventories	14	345 347 553	1 132 113 273	248 424 446	131 604 920
Loans and advances	13.2	6 597	10 603	6 597	6 597
Trade and other receivables	15	3 216 290 924	2 143 805 605	3 216 290 924	1 333 734 986
Related party receivables	16.1	26 920 981	2 771 691	26 920 981	1 724 364
Cash and cash equivalents	17	334 903 768	36 962 287	334 903 768	22 995 506
		3 923 469 823	3 315 663 459	3 826 546 716	1 490 066 373
Total assets		4 706 523 945	4 391 379 466	4 575 307 053	1 628 156 187
FUNDS AND LIABILITIES					
Funds and reserves					
Accumulated funds		4 082 755 849	3 709 177 371	3 527 578 069	1 377 247 662
Revaluation reserve		236 655 157	471 239 158	660 616 045	119 661 248
Total funds and reserves		4 319 411 006	4 180 416 529	4 188 194 114	1 496 908 910
Non-current liabilities					
Lease liability	24.2	28 380 030	-	28 380 030	-
Post employment benefits	18	107 049 288	35 152 565	107 049 288	21 869 616
		135 429 318	35 152 565	135 429 318	21 869 616
Current liabilities					
Trade and other payables	19	236 451 102	167 845 976	236 451 102	104 422 737
Related party payables	16.2	1 472 689	-	1 472 689	-
Deposits for customer driven projects	20	6 583 098	7 964 396	6 583 098	4 954 924
Lease liability	24.2	7 176 732	-	7 176 732	-
		251 683 621	175 810 372	251 683 621	109 377 661
Total equity and liabilities		4 706 523 945	4 391 379 466	4 575 307 053	1 628 156 187

Makumbinde F.
Finance Director

Maronge A.
Non- Executive Director

Eng. J.V. Mashamba
Chief Executive Officer

Chiwewe W. A.
Board Chairman

STATEMENT OF CHANGES IN FUNDS AND RESERVES FOR THE YEAR ENDED 31 DECEMBER 2021

	INFLATION ADJUSTED		
	Revaluation Reserve ZWL	Accumulated funds ZWL	Total funds ZWL
Balance as at 1 January 2020	471 239 158	2 602 594 495	3 073 833 653
Total comprehensive income for the year	-	1 106 582 876	1 106 582 876
Balance as at 31 December 2020	<u>471 239 158</u>	<u>3 709 177 371</u>	<u>4 180 416 529</u>
Balance as at 1 January 2021	471 239 158	3 709 177 371	4 180 416 529
Total comprehensive income for the year	(234 584 001)	373 578 478	138 994 477
Balance as at 31 December 2021	<u>236 655 157</u>	<u>4 082 755 849</u>	<u>4 319 411 006</u>

	HISTORICAL COST		
	Revaluation Reserve ZWL	Accumulated funds ZWL	Total funds ZWL
Balance as at 1 January 2020	119 661 248	209 381 994	329 043 242
Total comprehensive income for the year	-	1 167 865 668	1 167 865 668
Balance as at 31 December 2020	<u>119 661 248</u>	<u>1 377 247 662</u>	<u>1 496 908 910</u>
Balance as at 1 January 2021	119 661 248	1 377 247 662	1 496 908 910
Total comprehensive income for the year	540 954 797	2150 330 407	2 691 285 204
Balance as at 31 December 2021	<u>660 616 045</u>	<u>3 527 578 069</u>	<u>4 188 194 114</u>

STATEMENT OF CASHFLOWS FOR THE YEAR ENDED 31 DECEMBER 2021

Notes	Inflation adjusted		Historical Cost	
	2021 ZWL	2020 ZWL	2021 ZWL	2020 ZWL
Cash flows from operating activities				
Surplus before income tax expense	373 578 478	1 106 582 876	2 150 330 407	1 167 865 668
Adjustments for:				
Depreciation- property and equipment	10 38 307 544	78 283 600	29 544 854	22 025 760
Depreciation- right of use	24.1 7 609 360	-	5 995 055	-
Amortisation	11 3 083 082	4 418 642	2 338 573	2 323 116
Effects of exchange gains	-	378 679	-	115 485
Monetary loss	2 299 376 334	2 321 408 193	-	-
Profit on disposal	6 (7 797 764)	(124 742)	(6 124 791)	(17 685)
Finance income	8 (1 603 798)	(85 147)	(1 539 801)	(18 248)
Unrealised exchange loss	23 9 684 572	-	8 457 321	-
Finance cost	-	-	3 536 246	-
Impairment of intangible assets	11 154 160 902	-	-	-
Cashflows before working capital changes	2 880 864 654	3 510 862 101	2 192 537 864	1 192 294 096
Changes in working capital:				
Decrease/(increase) in inventories	786 765 720	(311 870 075)	(116 819 526)	(96 994 495)
Decrease in loans and advances	73 466	5 171 777	18 774	647 289
Increase trade and other receivables	2 146 577 296	(970 076 697)	(1 882 555 938)	(1 170 952 898)
Increase in related party receivables	(24 149 290)	26 253 076	(25 196 617)	2 301 022
Increase in trade and other payables	70 077 815	82 157 191	132 028 365	92 538 733
Increase in related party payables	1 472 689	-	1 472 689	-
(Decrease)/increase in deposits from customer driven projects	(1 381 298)	906 070	1 628 174	3 976 019
Movement on defined benefit	71 896 723	(17 721 233)	85 179 672	14 536 656
Net cash generated from operating activities	5 932 197 775	2 325 682 210	388 293 457	38 346 422
Cash flows from investing activities				
Proceeds from disposal of assets	7 797 764	-	6 124 791	-
Finance income	8 1 603 798	85 147	1 539 801	18 248
Acquisition of property and equipment	10 (96 496 616)	(123 729 912)	(74 603 533)	(19 888 925)
Acquisition of intangible assets	11 (455 607)	-	(309 150)	-
Net cash utilised in investing activities	(87 550 661)	(123 644 765)	(67 248 091)	(19 870 677)
Cashflow from financing activities				
Repayment of lease liability	(10 582 481)	-	(9 137 104)	-
Net increase in cash and cash equivalents	5 834 064 633	2 202 037 445	311 908 262	18 475 745
Inflation effects on cash and cash equivalents	(5 536 123 152)	(2 197 664 580)	-	-
Cash and cash equivalents at the beginning of the year	36 962 287	32 589 422	22 995 506	4 519 761
Cash and cash equivalents at end of the year	17 334 903 768	36 962 287	334 903 768	22 995 506

STATEMENT OF ACCOUNTING POLICIES FOR THE YEAR ENDED 31 DECEMBER 2021

1 GENERAL INFORMATION

1.1 Nature of business and incorporation

Rural Electrification Fund ("the Fund") is a statutory body governed by the Rural Electrification Fund Act (Chapter 13:20). The Rural Electrification Fund is primarily involved in facilitating rapid and equitable electrification of rural Zimbabwe and promoting productive use of electricity.

1.2 Currency

These financial statements are presented in Zimbabwe Dollars (ZWL) being the functional and reporting currency of the primary economic environment in which the Fund operates.

1.3 Basis of preparation

The financial statement of the Fund are prepared under the historical cost conversion. For the purpose of fair presentation in accordance with International Accounting Standard (IAS) 29 *"Financial Reporting In Hyperinflationary Economies"*, this historical cost information has been restated for changes in the general purchasing power of the ZWL and appropriate adjustments and reclassifications have been made. Accordingly, the inflation adjusted financial statement represent the primary financial statements of the Fund. The historical costs financials statements have been provided by way of supplementary information.

1.4 Investment in subsidiary

Firm	% shareholding
Hotspeck (Private) Limited	100%

2 New or revised Standard or Interpretation

Several other amendments and interpretations apply for the first time in 2021, but do not have an impact on the financial statements of the Fund. The Fund has not early adopted any standards, interpretations or amendments that have been issued but are not yet effective.

2.1 IAS 8 — Accounting Policies, Changes in Accounting Estimates and Errors- Definition of Accounting Estimates

On 12 February 2021, the IASB issued amendments to IAS 8-*Accounting Policies, Changes in Accounting Estimates and Errors* in which it introduces a definition of 'accounting estimates'. The amendments clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. Also, they clarify how entities use measurement techniques and inputs to develop accounting estimates.

The amendments are effective for annual periods beginning on or after 1 January 2023 and apply to changes in accounting policies and changes in accounting estimates that occur on or after the start of that period. Earlier application is permitted as long as this is disclosed.

2 New or revised Standard or Interpretation (continued).

2.2 Amendments to IAS 1 Classification of Liabilities as Current or Non-Current

The amendment clarifies that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period. Classification is unaffected by expectations of the entity or events after the reporting date (for example, the receipt of a waiver or a breach of covenant). The amendment is effective for annual periods beginning on or after 1 January 2022, with early application permitted.

2.3 Amendments to IAS 16: Property, Plant and Equipment — Proceeds before Intended Use

The amendment to IAS 16 prohibits an entity from deducting from the cost of an item of PPE any proceeds received from selling items produced while the entity is preparing the asset for its intended use (for example, the proceeds from selling samples produced when testing a machine to see if it is functioning properly). The proceeds from selling such items, together with the costs of producing them, are recognised in profit or loss.

2.4 Amendments to IAS 37: Onerous Contracts — Cost of Fulfilling a Contract

The amendment clarifies which costs an entity includes in assessing whether a contract will be loss-making. This assessment is made by considering unavoidable costs, which are the lower of the net cost of exiting the contract and the costs to fulfil the contract. The amendment clarifies the meaning of 'costs to fulfil a contract'. Under the amendment, costs to fulfil a contract include incremental costs and the allocation of other costs that relate directly to fulfilling the contract.

3 Summary of significant policies

The financial statements have been prepared using the significant accounting policies and measurement bases summarised below:

3.1 Foreign currency translation

Foreign currency transactions are translated into the functional currency of the Fund, using the exchange rates prevailing at the dates of the transactions (spot exchange rate). Foreign exchange gains and losses resulting from the settlement of such transactions and from the re-measurement of monetary items denominated in foreign currency at year-end exchange rates are recognised in profit or loss.

Non-monetary items are not retranslated at year-end and are measured at historical cost (translated using the exchange rates at the transaction date), except for non-monetary items measured at fair value which are translated using the exchange rates at the date when fair value was determined.

In the Fund's financial statements, all assets, liabilities and transactions of the entities with a functional currency other than the US dollar, are translated into ZWL dollars upon consolidation. The functional currency of the Fund has remained unchanged during the reporting period.

3.2 Inventory

Inventories are initially recognised at cost, and subsequently at the lower of cost and net realisable value. Cost comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. Impairment test is conducted for slow moving inventory.

3 Summary of significant policies (continued)

3.3 Revenue

The Fund adopted IFRS 15 which applies to the Annual Financial Statements for the period beginning on or after 1 January 2018. The objective of IFRS 15 –*Revenue from Contracts with Customers*, is to establish the principles that an entity shall apply to report useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from a contract with a customer. The Fund uses a 5-step model for revenue recognition from contracts with customers;

- 1 Identify the performance obligations in the contract;
- 2 Identification of separate performance obligations in the contract;
- 3 Determine the transaction price;
- 4 Allocate the transaction price to the performance obligations; and
- 5 Recognise revenue when (or as) the entity satisfies a performance obligation.

The main type of revenue is levy collected by Zimbabwe Electricity Transmission and Distribution Company on behalf of the Fund, and it was established that the application of IFRS 15 was not applicable as the revenue recognized did not meet the 5-step model of revenue recognition. The Fund therefore uses the accrual basis method to recognise revenue.

3.4 Other revenue

Other income is accrued on a time basis by reference to the principal amount outstanding and or received and effective interest rate applicable.

3.5 Property and Equipment

Items of property and equipment are initially recognised at cost. As well as the purchase price, cost includes directly attributable costs and the estimated present value of any future unavoidable costs of dismantling and removing items. The corresponding liability is recognised within provisions.

Subsequent costs are included in the assets' carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the entity and the cost can be measured reliably. All other repairs and maintenance costs are charged to the statement of comprehensive income during the period in which they are incurred. The assets' useful lives and residual values are reviewed, and adjusted if appropriate, at each statement of financial position date.

Land and capital work-in-progress are not depreciated. Depreciation on assets under construction does not commence until they are complete and available for use. Depreciation is provided on all other items of property and equipment so as to write off their carrying value over their expected useful economic lives.

3 Summary of significant policies (continued)

3.5 Property, Plant and Equipment (continued)

It is provided on a straight line basis over the remaining useful lives at the following rates:

Buildings	50 years
Computer equipment	3 years
Motor vehicles	5 years
Furniture, fittings and office equipment	5 years

Land and Buildings are revalued every two years by an independent appraiser based on market evidence of the most recent prices achieved in arm's length transactions of similar properties. During the prior year, management carried out a revaluation of all the Fund's assets. Any revaluation surplus is recognised in other comprehensive income and credited to the revaluation reserve in equity. To the extent that any revaluation decrease or impairment loss has previously been recognised in profit or loss, a revaluation increase is credited to profit or loss with the remaining part of the increase recognised in other comprehensive income. Downward revaluations of land are recognised upon appraisal or impairment testing, with the decrease being charged to other comprehensive income to the extent of any revaluation surplus in equity relating to this asset and any remaining decrease recognised in profit or loss. Any revaluation surplus remaining in equity on disposal of the asset is transferred to retained earnings.

3.5.1 Impairment of property and equipment

The carrying amount of property and equipment is reviewed at each statement of financial position date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. Impairment loss is recognised directly through the statement of comprehensive income when the carrying amounts of the assets exceed the fair values of the respective assets.

3.5.2 De-recognition of property and equipment

An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected from use or disposal.

3.6 Externally acquired intangible assets

Externally acquired and internally developed intangible assets are initially recognised at historical cost and subsequently amortised on a straight-line basis over their useful economic lives.

Intangible assets are recognised on business combinations if they are separable from the acquired entity or give rise to other contractual/legal rights. The amounts ascribed to such intangibles are arrived at by using appropriate valuation techniques.

The useful economic life of the Fund's intangible assets is as follows:

SAP Software	15 years
Other computer software	4 years

3 Summary of significant policies (continued)

3.7 Fair value measurement

A number of the Fund's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities. The Fund has an established control framework with respect to the measurement of fair values. This includes a valuation team that has overall responsibility for overseeing all significant fair value measurements, including Level 3 fair values, and reports directly to the Finance Director.

The valuation team regularly reviews significant unobservable inputs and valuation adjustments. If third party information, such as broker quotes or pricing services, is used to measure fair values, then the valuation team assesses the evidence obtained from the third parties to support the conclusion that these valuations meet the requirements of IFRS, including the level in the fair value hierarchy in which the valuations should be classified.

When measuring the fair value of an asset or a liability, the Fund uses observable market data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows.

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs). If the inputs used to measure the fair value of an asset or a liability fall into different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement. The Fund recognises transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred. For the purpose of fair value disclosures, the Fund has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

3.8 Financial instruments

3.8.1 Recognition and de-recognition

Financial assets and financial liabilities are recognised when the Fund becomes a party to the contractual provisions of the financial instrument. Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and substantially all the risks and rewards are transferred. A financial liability is derecognised when it is extinguished, discharged, cancelled or expires.

3 Summary of significant policies (continued)

3.8 Financial instruments (continued)

3.8.2 Classification and initial measurement of financial assets

Except for those trade receivables that do not contain a significant financing component and are measured at the transaction price in accordance with IFRS 15, all financial assets are initially measured at fair value adjusted for transaction costs (where applicable). Financial assets, other than those designated and effective as hedging instruments, are classified into the following categories:

- amortised cost
- fair value through profit or loss (FVTPL)
- fair value through other comprehensive income (FVOCI).

In the periods presented the fund does not have any financial assets categorised as FVOCI.

3.8.3 Subsequent measurement of financial assets

Financial assets are measured at amortised cost if the assets meet the following conditions (and are not designated as FVTPL):

- they are held within a business model whose objective is to hold the financial assets and collect its contractual cash flows
- the contractual terms of the financial assets give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding

After initial recognition, these are measured at amortised cost using the effective interest method. Discounting is omitted where the effect of discounting is immaterial. The Fund's cash and cash equivalents, trade and most other receivables fall into this category of financial instruments as well as listed bonds that were previously classified as held-to-maturity under IAS 39.

3.8.4 Financial assets at fair value through profit or loss (FVTPL)

Financial assets that are held within a different business model other than 'hold to collect' or 'hold to collect and sell' are categorised at fair value through profit and loss. Further, irrespective of business model financial assets whose contractual cash flows are not solely payments of principal and interest are accounted for at FVTPL. All derivative financial instruments fall into this category, except for those designated and effective as hedging instruments, for which the hedge accounting requirements apply (see below).

Assets in this category are measured at fair value with gains or losses recognised in profit or loss. The fair values of financial assets in this category are determined by reference to active market transactions or using a valuation technique where no active market exists.

3 Summary of significant policies (continued)

3.8 Financial instruments (continued)

3.8.4 Financial assets at fair value through profit or loss (FVTPL) (continued)

The Fund accounts for financial assets at FVOCI if the assets meet the following conditions:

- they are held under a business model whose objective it is “hold to collect” the associated cash flows and sell and;
- the contractual terms of the financial assets give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Any gains or losses recognised in other comprehensive income (OCI) will be recycled upon de-recognition of the asset.

3.8.5 Financial assets classified as available for sale under IAS 39 (comparative periods)

Available-for-sale (AFS) financial assets are non-derivative financial assets that are either designated to this category or do not qualify for inclusion in any of the other categories of financial assets (FVTPL or held to maturity and loans and receivables). The Fund’s AFS financial assets include listed equity securities and debentures.

All AFS financial assets were measured at fair value. Gains and losses were recognised in other comprehensive income and reported within the AFS reserve within equity, except for interest and dividend income, impairment losses and foreign exchange differences on monetary assets, which are recognised in profit or loss. When the asset was disposed of or was determined to be impaired, the cumulative gain or loss recognised in other comprehensive income was reclassified from the equity reserve to profit or loss. Interest calculated using the effective interest method and dividends were recognised in profit or loss within finance income.

3.8.6 Trade and other receivables

The Fund makes use of a simplified approach in accounting for trade and other receivables and records the loss allowance as lifetime expected credit losses. These are the expected shortfalls in contractual cash flows, considering the potential for default at any point during the life of the financial instrument. In calculating, the Fund uses its historical experience, external indicators and forward-looking information to calculate the expected credit losses using a provision matrix.

3 Summary of significant policies (continued)

3.8 Financial instruments (continued)

3.8.7 Impairment of financial assets

IFRS 9's impairment requirements use more forward-looking information to recognise expected credit losses – the 'expected credit loss (ECL) model'. This replaces IAS 39's 'incurred loss model'. Instruments within the scope of the new requirements included loans and other debt-type financial assets measured at amortised cost and FVOCI, trade receivables, contract assets recognised and measured under IFRS 15 and loan commitments and some financial guarantee contracts (for the issuer) that are not measured at fair value through profit or loss.

Recognition of credit losses is no longer dependent on the Fund first identifying a credit loss event. Instead the Fund considers a broader range of information when assessing credit risk and measuring expected credit losses, including past events, current conditions, reasonable and supportable forecasts that affect the expected collectability of the future cash flows of the instrument.

In applying this forward-looking approach, a distinction is made between:

- financial instruments that have not deteriorated significantly in credit quality since initial recognition or that have low credit risk ('Stage 1') and
- financial instruments that have deteriorated significantly in credit quality since initial recognition and whose credit risk is not low ('Stage 2').

'Stage 3' would cover financial assets that have objective evidence of impairment

'12-month expected credit losses' are recognised for the first category while 'lifetime expected credit losses' are recognised for the second category.

3.8.8 Classification and measurement of financial liabilities

As the accounting for financial liabilities remains largely the same under IFRS 9 compared to IAS 39, the Fund's financial liabilities were not impacted by the adoption of IFRS 9. However, for completeness, the accounting policy is disclosed below.

The Fund's financial liabilities include borrowings, trade and other payables and derivative financial instruments. Financial liabilities are initially measured at fair value, and, where applicable, adjusted for transaction costs unless the Fund designated a financial liability at fair value through profit or loss. Subsequently, financial liabilities are measured at amortised cost using the effective interest method except for derivatives and financial liabilities designated at FVTPL, which are carried subsequently at fair value with gains or losses recognised in profit or loss (other than derivative financial instruments that are designated and effective as hedging instruments). All interest-related charges and, if applicable, changes in an instrument's fair value that are reported in profit or loss are included within finance costs or finance income.

3 Summary of significant policies (continued)

3.9 Trade and other payables

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

3.10 Current and deferred income tax

All levy receipts and accruals of the Rural Electrification Agency as a stand-alone entity, are exempt from income tax in terms of sub paragraph 2(h) of the Third Schedule of the Zimbabwe Income Tax Act (Chapter 23:06) and by virtue of Section 10 of the Zimbabwe Capital Gains Tax Act (Chapter 23:01) from capital gains tax.

3.11 Cash and cash equivalents

In the statement of cash flows, cash and cash equivalents include cash on hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less.

3.12 Government grants

Grants from the Government of Zimbabwe are recognised at their fair value where there is reasonable assurance that the grant will be received and the Fund will comply with all attached conditions.

Grants relating to specific costs are deferred and recognised in the income statement over the period necessary to match them with the costs that they are intended to compensate.

3.13 Interest income

Interest income is recognised using the effective interest method. When a loan and receivable is impaired, the Fund reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loans and receivables is recognised using the original effective interest rate.

3.14 Employee benefits

3.14.1 Bonus plans

The Fund recognises a liability and an expense for bonuses based on 10% of the annual basic salary. The Fund recognises a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

3.14.2 Defined contribution retirement plans

The Fund participates in defined contribution retirement plans for its employees. The pension funds are funded by payments from the employees and by the relevant Fund's contributions taking into account the recommendations of independent qualified actuaries. The Fund's contributions are expensed as incurred.

3 Summary of significant policies (continued)

3.14 Employee benefits (continued)

3.14.3 National Social Security Authority Scheme

The Fund and its employees also contribute to the National Social Security Authority Scheme. This is a social security scheme which was promulgated under the National Social Security Act (Chapter 17:04). The Fund's obligations under the scheme are limited to specific contributions as legislated from time to time.

3.14.4 Short-term employee benefits

These benefits include salaries and related payments, leave pay, medical and medical scheme payments and other employee payments related to employment conditions.

3.15 Provisions

Provisions are recognised when the Fund has a present legal or constructive obligation as a result of past events and reliable estimate of the obligation can be made. The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the statement of financial position date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

3.16 Leases

The Fund assesses at contract inception whether a contract contains a lease. That is if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

3.16.1 The Fund as a lessee

The Fund applies a single recognition and measurement approach for all leases, except for short term leases and leases of low-value assets. The fund recognises lease liabilities and right of use assets.

Right of use assets

The Fund recognises right -of-use assets at the commencement date of the lease (i.e the date the underlying asset is available for use. Right of use asset is measured at cost, less accumulated depreciation and impairment losses, and adjusted for any re-measurement of lease liabilities. The cost of the right of use asset includes the amount of lease liabilities recognised, initial direct costs incurred and lease payments made at or before the commencement date less any lease incentives received. The right of use asset is depreciated on straight line basis over the shorter of the lease term and the estimated useful lives of the assets.

Lease liabilities

At the commencement date of the lease, the Fund recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index rate or a rate and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Fund and payments of penalties for terminating the lease.

3 Summary of significant policies (continued)

3.16 Leases (continued)

3.16.1 The Fund as a lessee (continued)

In calculating the present value of lease payments, the Fund uses the rate implicit in the lease and if not readily determinable, it uses the incremental borrowing rate. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is re-measured if there is a modification, a change in the lease term, a change in the lease payments (e.g. changes to future payments resulting from a change in an index rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

3.16.2 The Fund as a lessor

Leases in which the Fund does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified operating leases. Rental income arising is accounted for on a straight-line basis over the lease terms and is included in revenue in the statement of profit or loss due to its operating nature

. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the asset and recognised over the lease term on the same basis as rental income. Contingent rent is recognised as revenue in the period in which they are earned.

4 Significant judgements in applying the Fund's accounting policies

In preparing the financial statements, management is required to make estimates and assumptions that affect the amounts presented in the financial statements and related disclosures. Use of available information and the application of judgment is inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the financial statements.

The following are key assumptions concerning the future, and other key sources of estimation uncertainty at the balance sheet date that have risk of causing material adjustment to the carrying amounts of asset and liabilities within the next financial year.

4.1 Trade receivables

The Fund assesses its trade receivables for impairment at each statement of financial position date. In determining whether an impairment loss should be recorded in the statement of comprehensive income, the Fund makes judgement as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset.

4.2 Impairment testing

The Fund reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable.

4.3 Valuation of property and equipment

On 31 December 2021, the Fund assigned Dawn Properties to carry out a revaluation on all categories of property plant and equipment. The estimate and associated assumptions were based on historical information, market observable inputs and other factors that were considered relevant. The Fund also assessed the useful and residual values of property plant and equipment taking into account past experience and technology changes. In 2021, the same assumptions and valuations applied in 2019 were used.

5 Operating income

Rural electrification levy

Rural electrification levy is a 6% charge to electricity consumers which is collected by Zimbabwe Electricity Transmission and Distribution Company (ZETDC) on behalf of the Fund as prescribed by the Rural Electrification Fund Act (Chapter 13:20).

6 Other operating income

Included in other operating income is:

	2021 ZWL	2020 ZWL	2021 ZWL	2020 ZWL
Rural electrification levy	4 728 796 449	3 472 782 960	3 759 928 534	1 452 736 386
Connection fees	6 772 987	813 530	6 344 833	494 221
Government grants	100 000 000	70 819 319	100 000 000	44 000 000
Low cost distribution board	56 230	-	55 543	-
Sundry income	4 434 690	1 275 046	3 552 794	352 812
Zera surplus	28 749 071	-	28 749 071	-
Gain on disposal of assets	7 797 764	124 742	6 124 791	17 685
	147 810 742	73 032 637	144 827 032	44 864 718

7 Cost of rural electrification projects

Biogas materials	784 899	23 924	728 188	14 282
Cables and accessories	142 339 972	17 018 626	118 033 917	8 011 282
Irrigation equipment	60 016	1 331	52 358	308
Project fuel cost	39 052 011	9 101 736	32 959 463	4 162 241
Project labour costs	437 465 795	181 925 716	364 279 954	81 048 905
Project maintenance	7 014 903	1 121 758	6 029 373	386 876
Project service cost	4 694 088	1 293 872	3 728 371	638 806
Project sundries (note 7.1)	100 116 447	2 456 835	89 459 419	1 231 275
Project vehicle expenses	36 791 982	8 721 148	31 308 771	3 858 888
Solar equipment	11 292 685	328 812	9 159 003	149 685
Tools and hardware	12 640 202	337 099	11 502 753	129 712
Transformers and switches	79 653 533	110 784 563	64 050 147	62 129 371
Transport hire cost	8 969 098	3 261 318	7 994 170	1 212 342
	880 875 631	336 376 738	739 285 887	162 973 973

7.1 Project sundries include:

Cost of lines (project quotation costs and VAT input reclassifications)
Labour for quotations
Cost of sales (project materials)
Project sundries

Cost of lines (project quotation costs and VAT input reclassifications)	81 245 031	1 993 735	74 719 478	1 028 402
Labour for quotations	334 261	8 203	258 249	3 555
Cost of sales (project materials)	12 276 166	301 254	10 377 978	142 837
Project sundries	6 260 989	153 643	4 103 714	56 481
	100 116 447	2 456 835	89 459 419	1 231 275

8 Profit before tax

Included in profit before taxation are the following disclosable items:

8.1 Income

Finance income:

Interest received from loans and advances	1 603 798	85 147	1 539 801	18 248
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8.2 Expenses

Audit fees	2 794 965	3 649 516	2 641 744	2 043 352
Depreciation and Amortisation	48 999 986	82 702 242	37 878 482	24 348 876
Directors' remuneration	4 226 722	7 272 465	3 575 482	3 675 466
Staff costs (note 8.3)	636 479 496	278 384 721	550 474 848	172 802 369

692 501 169	372 008 944	594 570 556	202 870 063
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8.3 Staffcosts

Pension contributions	109 352 391	37 685 245	105 493 214	20 670 867
NSSA contributions	3 301 364	1 068 392	2 824 076	424 253
Medical aid	23 139 259	18 225 770	18 363 849	8 904 243
Salaries and wages	500 686 482	221 405 314	550 474 848	142 803 006

636 479 496	278 384 721	677 155 987	172 802 369
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9 Income taxexpense

Current tax	-	-	-	-
Deferred tax	-	-	-	-
	-	-	-	-

All levy receipts and accruals of the Rural Electrification Agency as a stand-alone entity, are exempt from income tax in terms of sub paragraph 2(h) of the Third Schedule of the Zimbabwe Income Tax Act (Chapter 23:06) and by virtue of Section 10 of the Zimbabwe Capital Gains Tax Act (Chapter 23:01) from capital gains tax.

100%

100%

10. Property and Equipment (continued)

	HISTORICAL COST						Total
	Land ZWL	Buildings ZWL	Furniture and fittings ZWL	Motor vehicles ZWL	Office equipment ZWL	Computer equipment ZWL	
Year ended 31 December 2020							
Opening carrying amount	4 865 574	11 425 979	6 971 450	55 199 148	4 774 421	9 329 344	92 565 916
Additions	-	-	129 643	16 883 375	2 815 403	60 504	19 888 925
Disposal	-	-	-	(56 250)	-	-	(56 250)
Depreciation on disposals	-	-	-	56 250	-	-	56 250
Depreciation charge	-	(228 520)	(1435 040)	(15 579 825)	(1634 543)	(3147 832)	(22 025 760)
Carrying amount	4 865 574	11 197 459	5 666 053	56 502 698	5 955 281	6 242 016	90 429 081
At 31 December 2020							
Cost/valuation	4 865 574	11 425 979	7 101 093	72 082 523	7 589 824	9 389 848	112 454 841
Accumulated depreciation	-	(228 520)	(1435 040)	(15 579 825)	(1634 543)	(3147 832)	(22 025 760)
Closing carrying amount	4 865 574	11 197 459	5 666 053	56 502 698	5 955 281	6 242 016	90 429 081
Year ended 31 December 2021							
Opening carrying amount	4 865 574	11 197 459	5 666 053	56 502 698	5 955 281	6 242 016	90 429 081
Additions	-	-	7 260 327	44 539 498	5 328 666	17 475 042	74 603 533
Revaluation	129 934 426	185 227 177	26 923 911	174 921 940	21 155 187	21 315 772	559 478 413
Disposal	-	-	(247 618)	(670 338)	(180 224)	(384 732)	(1 482 912)
Depreciation on disposals	-	-	247 618	670 338	180 224	384 732	1 482 912
Depreciation charge	-	(224 636)	(1 444 575)	(18 643 048)	(1 787 987)	(7 444 608)	(29 544 854)
Carrying amount	134 800 000	196 200 000	38 405 716	257 321 088	30 651 147	37 588 222	694 966 173
At 31 December 2021							
Cost/valuation	134 800 000	196 200 000	38 405 716	257 321 088	30 651 147	37 588 222	694 966 173
Accumulated depreciation	-	-	-	-	-	-	-
Closing carrying amount	134 800 000	196 200 000	38 405 716	257 321 088	30 651 147	37 588 222	694 966 173

11 Intangible assets

Opening net book amount

	Inflation adjusted		Historical cost	
	2021 ZWL	2020 ZWL	2021 ZWL	2020 ZWL
Additions	332 964 890	338 088 578	44 291 126	46 712 042
Prior period error	455 607	-	309 150	-
Revaluation	-	(705 046)	-	(97 800)
Impairment	(152 438 426)	-	(18 523 616)	-
Amortisation charge	(154 160 902)	-	-	-
	(3 083 082)	(4 418 642)	(2 338 573)	(2 323 116)

Closing carrying amount

	23 738 087	332 964 890	23 738 087	44 291 126
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Cost/Valuation	23 738 087	337 383 532	23 738 087	46 614 242
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Accumulated amortisation -----		(4 418 642)	-	(2 323 116)
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Carrying amount as at 31 December 2021

	23 738 087	332 964 890	23 738 087	44 291 126
--	------------	-------------	------------	------------

Intangible assets consist of computer software, SAP system and business online. These are deemed to have a finite useful life and are amortised over a period of up to 15 years.

Included in revaluation is ZWL 154 160 902 charged in P & L and ZWL 152 438 426 charged through profit and loss.

12 Investment insubsiary

At 1 January	23 694 304	23 694 304	3 286 156	3 286 156
Capital injection	-	-	-	-

At 31 December

	23 694 304	23 694 304	3 286 156	3 286 156
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Investment in subsidiary relates to investment in Hotspect Enterprise a subsidiary of Rural Electrification Fund. The entity measured the investments at cost at the beginning of the financial year under review and at the end of the reporting period.

13 Loans and advances

Loans receivable from Directors and employees	1 772 912	3 290 881	1 772 912	2 047 370
Allowance for loan losses	(1 701 638)	(3 146 141)	(1 701 638)	(1 957 322)

	71 274	144 740	71 274	90 048
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13.1 Non current	64 677	134 137	64 677	83 451
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13.2 Current	6 597	10 603	6 597	6 597
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	71 274	144 740	71 274	90 048
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The housing loans to Directors, managers and employees are secured by mortgage bonds on property and bear interest at 3% for directors and 5% for managers and employees and are as determined by the retirement age or up to the end of a contract for those on fixed term contracts.

13 Loans and advances (continued)

ZWL 1 701 638 (2019: 1957 322) relates to

Electricity End Use Infrastructure Development (EEUID) loans extended to individuals in rural areas in a bid to achieve economic empowerment in rural areas. The loans were provided for in full.

14 Inventory

Biogas materials
Cables and accessories
Finished goods low cost distribution board.
Fuel stocks
Irrigation equipment
Motor spares
Solar equipment
Stationery
Tools and hardware
Transformers and switches

Inventory write-off

Inventory- write off is made up of obsolete stock items previously earmarked for disposal and had no takers. The amount was provided for in full.

15 Trade and other receivables

Trade receivables
Expected credit loss allowance (note 22.3)

Trade receivables (net)

Other receivables

Inflation adjusted		Historical cost	
2021 ZWL	2020 ZWL	2021 ZWL	2020 ZWL
1 538 397	5 137 584	1 359 539	253 494
229 193 336	824 025 224	160 166 808	83 643 262
152 926	2 628 791	96 660	100 296
5 261 376	6 490 772	3 452 540	395 525
738 855	1 828 290	493 266	67 063
28 624	402 457	18 988	18 053
3 714 109	55 766 157	2 407 669	2 214 036
827	12 820	542	542
16 852 446	12 737 118	12 872 935	663 774
98 106 737	233 324 140	67 995 858	44 681 691
355 587 633 (10 240 080)	1 142 353 353 (10 240 080)	248 864 805 (440 359)	132 037 736 (432 816)
345 347 553	1 132 113 273	248 424 446	131 604 920
4 393 668 118 (1 188 185 624)	2 919 661 393 (806 045 707)	4 393 668 118 (1 188 185 624)	1 816 421 479 (501 468 677)
3 205 482 494	2 113 615 686	3 205 482 494	1 314 952 802
10 808 430	30 189 919	10 808 430	18 782 184
3 216 290 924	2 143 805 605	3 216 290 924	1 333 734 986

All amounts are short-term. The net carrying value of trade receivables is considered a reasonable approximation of fair value. All of the Fund's trade and other receivables have been reviewed for indicators of impairment.

Note 22 includes disclosures relating to the credit risk exposures and analysis relating to the allowance for expected credit losses.

16 Related parties

16.1 Related party receivables

Hotspeck (Private) Limited	26 920 981	2 771 691	26 920 981	1 724 364
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Shareholder

Rural Electrification Fund made payments on behalf of Hotspeck Enterprises (Private) Limited towards procurement of goods and services.

16.2 Related party payables

Hotspeck Enterprises (Private) Limited	1 472 689	-	1 472 689	-
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The amounts due to related parties arise mainly from the purchase of treated poles from Hotspeck Enterprises (Private) Limited.

Goods are usually negotiated with related parties on a cost plus mark-up basis at an agreed price per measure of volume.

16.3 Key management compensation

Executive salaries and other short term benefits	35 414 453	15 454 739	30 629 056	9 614 923
Directors emoluments	3 575 482	5 907 841	3 575 482	3 675 466
Board fees and sitting allowances	2 405 739	1 973 867	2 405 739	1 228 009
Other board expenses	1 169 743	3 933 974	1 169 743	2 447 457
	38 989 935	21 362 580	34 204 538	13 290 389

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Fund.

16.4 Loans to directors

Housing and personal loans - Executive directors	16 045	31 504	16 045	19 600
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The housing loans to directors are secured by mortgage bonds on property and bear interest at 5% per annum and are repayable up to retirement age or up to the end of a fixed term contract for fixed term contracts.

Apart from key management compensation there are no other related party transactions disclosed.

17 Cash and cash equivalents

Cash equivalents comprise the following:

Cash on hand	712	228 819	712	142 356
Bank balances	334 903 056	36 733 468	334 903 056	22 853 150
	334 903 768	36 962 287	334 903 768	22 995 506

18 Post-Employment Benefits

Defined benefit plan

Some staff members of REF are part of the ZESA Staff Pension Fund. The ZESA Staff Pension Fund is a Defined Benefit retirement scheme offering benefits equal to 1.8% of salary for each year of service. ZESA operates a defined benefit pension plan based on employee pensionable remuneration and length of service. The plan is unfunded as it does not hold sufficient assets to meet the pension obligation due.

	Inflation adjusted		Historical cost	
	2021 ZWL	2020 ZWL	2021 ZWL	2020 ZWL
Statement of financial position obligation: Pension benefits (18.1)	107 049 288	35 152 565	107 049 288	21 869 616
18.1 Liability in statement of financial position:				
At 1 January	35 152 565	52 873 798	21 869 616	7 332 960
Interest cost	2 726 509	1 493 673	2 726 509	929 265
Current service cost	-	-	-	-
Actuarial losses/(gains)	69 170 214	(19 214 906)	82 453 163	13 607 391
At 31 December	107 049 288	35 152 565	107 049 288	21 869 616

In the consolidated ZESA pension fund the total plan assets are 22.14% of the obligation. According to the actuary, current pensioners which currently constitute 51.3% have the first claim to the assets. Therefore, the actuary has taken a conservative approach and not allocated any assets to the Rural Electrification Fund.

The principal actuarial assumptions were as follows:

	2021	2020
Discount rate	13%	13%
Expected return on plan assets	13%	13%
Future salary increases	11%	11%
Future pension increases	7%	7%
Future average working life (years)	6.91	15.4

19 Trade and other payables

REA1 : one-time credit	21 587 892	44 396 717	21 587 892	27 620 720
REA3: foreign trade creditors	-	22 128 753	-	13 767 056
Down payment received	21 019 212	7 144 260	21 019 212	4 444 689
Other payables	193 843 998	94 176 246	193 843 998	58 590 272
	236 451 102	167 845 976	236 451 102	104 422 737

20 Deposits for customer driven projects

Fully paid	6 583 098	7 964 396	6 583 098	4 954 924
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During the year ended 31 December 2012, the Board resolved to recognise a liability in connection with deposits that were paid by customers for the installation of electricity prior to the change in functional currency. During that time, some customers had paid in full whilst others had partially paid. The Fund targets to complete work for the fully paid customers by 31 December 2022. Following pronouncements made by the Reserve Bank in 2015, on conversion rates from ZWD to USD, which zeroed the prepayments that had been made, a resolution was subsequently passed in 2016 to derecognise the partially paid customer driven projects.

21 Contingencies and commitments

21.1 Capital Commitments

The Fund had no significant capital commitments authorised by the Directors or contracted for at the reporting date.

21.2 Operating lease commitments

The Fund leases a number of office buildings and warehouses across the various provinces of the country under cancellable operating lease agreements. The tenure of the leases range from 1 year or leases exceeding one year, the lease agreements are renewable at the end of the lease period at market rates. The Fund is required to give a three- month notice for the termination of these agreements.

21.3 Contingent assets

The Fund has taken legal action to recover an amount of ZWL 637 108 before interest from Lomagundi Poles (Private) Limited for wood poles not delivered.

22 Financial risk management objectives and policies

The Fund's principal financial liabilities, comprise of loans and trade payables. The main purpose of these financial liabilities is to raise finance for the Fund's operations. The Fund has various financial assets such as trade receivables and cash, which arise directly from its operations. Exposure to credit, interest rate and currency risk arises in the normal course of the Fund's business.

The main risks arising from the Fund's financial instruments are, foreign currency risk and credit risk. The Board of Directors reviews and agrees policies for managing each of these risks which are summarised below:

22.1 Interest rate risk

The Fund's exposure to the risk of changes in market interest rates relates primarily to the Fund's long and short term debt obligations and bank overdrafts. The Fund's policy is to manage its interest cost using a mix of fixed and variable rate debts.

22.2 Foreign currency risk

The Fund has no significant foreign denominated balances at the reporting date. Therefore, the risk related to changes in foreign exchange rates is minimal.

22.3 Credit risk

The Fund applies the IFRS 9 simplified model of recognising lifetime expected credit losses for all trade receivables as these items do not have a significant financing component. In measuring the expected credit losses, the trade receivables have been assessed on a. They have been grouped based on the days past due of customers.

The expected loss rates are based on the Fund's historical credit losses assessed over the past 3 years respectively. The historical rates are adjusted to reflect current and forwarding looking macroeconomic factors affecting the customer's ability to settle the amount outstanding. The Fund has identified historical payment patterns be the most relevant factor and accordingly adjusts historical loss rates for expected changes in these factors. However, given the short period exposed to credit risk, the impact of these macroeconomic factors has not been considered significant within the reporting period.

22 Financial risk management objectives and policies (continued)

22.3 Credit risk (continued)

Trade receivables are written off (i.e. derecognised) when there is no reasonable expectation of recovery. Failure On the above basis, the expected credit loss for trade receivables as at 31 December 2021 and 1 January 2021.

1 January 2021				
	Current	More than 30 days	More than 60 days	More than 90 days
Expected credit loss rate	5.24%	14.32%	32.27%	32.27%
Gross carrying amount	79 839 985	351 443 172	554 055 329	831 082 993
				1 816 421 479
Lifetime expected loss	4 182 374	50 322 931	178 785 349	268 178 023
				501 468 677

31 December 2021				
	Current	More than 30 days	More than 60 days	More than 90 days
Expected credit loss rate	5.53%	15.72%	33.03%	27.45%
Gross carrying amount	53 505 135	153 281 214	211 268 167	3 975 613 602
				4 393 668 118
Lifetime expected loss	2 958 834	24 095 807	69 781 875	1 091 349 108
				1 188 185 624

The closing balance of the of the trade receivables loss allowance as at 31 December 2021 reconciles with the trade receivables loss allowance opening balance as follows:

	Inflation Adjusted		Historical Cost	
	2021 ZWL	2020 ZWL	2021 ZWL	2020 ZWL
Allowance as at 1 January calculated under IAS 39				29 843 699
Amounts restated through opening retained earnings				-
Opening loss allowance as at 1 January	501 468 677	78 948 029	501 468 677	47 271 438
Loss allowance recognised during the year	686 716 947	422 520 648	686 716 947	454 197 239
Loss allowance as at 31 December	1 188 185 624	501 468 677	1 188 185 624	501 468 677

23 Unrealized exchange gains (losses)

	2021 ZWL	2020 ZWL	2021 ZWL	2020 ZWL
Exchange gain - Nostro	1 103 461	-	1 103 461	-
Exchange loss - Noconsult	-	(18 498 030)	-	(11 508 297)
Exchange loss - customer driven projects	(2 607 081)	(6 390 910)	(2 607 081)	(3 976 017)
Exchange gain - ZETDC	706 926 896	1012 303 432	706 926 896	629 788 732
Exchange loss- lease liability	(9 684 572)	-	(8 457 321)	-
	695 738 704	987 414 492	696 965 955	614 304 418

24 Leases

24.1 Right of use

Year ended 31 December

Opening carrying amount

Additions

Depreciation

Closing carrying amount

Year ended 31 December

Cost

Accumulated depreciation

Closing carrying amount

Lease liabilities

Balance as at 1 February

Interest charge

Payments

Effects of changes in exchange rates

Balance as at 31 December

24.2 Reconciliation

Current

Non-Current

Total

	Inflation Adjusted		Historical Cost	
	2021 ZWL	2020 ZWL	2021 ZWL	2020 ZWL
Opening carrying amount	-	-	-	-
Additions	48 200 241	-	32 700 299	-
Depreciation	(7 609 360)	-	(5 995 055)	-
Closing carrying amount	40 590 881	-	26 705 244	-
Cost	48 200 241	-	32 700 299	-
Accumulated depreciation	(7 609 360)	-	(5 995 055)	-
Closing carrying amount	40 590 881	-	26 705 244	-
Balance as at 1 February	31 988 727	-	31 988 727	-
Interest charge	4 465 944	-	3 536 246	-
Payments	(10 582 481)	-	(8 425 532)	-
Effects of changes in exchange rates	9 684 572	-	8 457 321	-
Balance as at 31 December	35 556 762	-	35 556 762	-
Current	7 176 732	-	7 176 732	-
Non-Current	28 380 030	-	28 380 030	-
Total	35 556 762	-	35 556 762	-

25 Effects of COVID 19 pandemic

The unprecedented COVID-19 pandemic had an adverse impact on the economy and is expected to continue affecting global supply chains and aggregate demand. Restrictions and lockdowns were implemented by the government throughout the year to mitigate transmissions. The government managed to procure vaccines early and made concerted effort to get the population vaccinated. The country witnessed a fourth wave of the highly transmissible Omicron variant infections which did not significantly affect business operations as restrictions and fatalities were low. The Fund remains confident that the measures implemented to ensure the safety of its workforce will enable operations to continue with minimal disruptions.

26 Events after the reporting date - Russia - Ukraine war

Subsequent to year end, and at the time of finalising the financial statements, the Russian invasion of Ukraine has had a significant impact on commodity prices, including increased oil, gas, other commodities (ammonium nitrate, copper, steel etc.) and gold prices. The oil price is a driver for a number of input costs for the fund including diesel and transport costs.

Management considered the impact of the high inflationary environment in the business planning process used to determine the 2022 operational plan and guidance. However, further significant increases in oil, gas and other commodity prices could have an adverse effect on the fund's business operating results (including increased all in costs) and financial conditions.

HOTSPECK ENTERPRISES (PVT) LTD

AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER 2021



“..... a trusted source of electricity transmission poles, x-arms and light poles. Also a reliable partner for tolling services.....”

CORPORATE PROFILE

Hotspeck Enterprises is a private company incorporated under the Companies Act (Chapter 24:03) and is wholly owned by the Rural Electrification Fund (REF) of Zimbabwe. It is a Special Purpose Vehicle (SPV) whose main objective is to ensure constant supply of treated poles to REF for rural electrification programme, with excess being sold to other customers such as ZETDC and in the region.

Hotspeck has two strategic business units namely the Pole Plant and Consulting & Contracting Services. Hotspeck as a whole has four unique product offering namely;

- Supply of wooden creosote treated poles (transmission; fencing; and cross-arms among others).
- Electricity grid extension
- Renewable technologies
- Contracting and consultancy services

As a customer driven business, Hotspeck is committed to meet and surpass, where possible, customer specifications and standards. The delivery lead times vary according to the contractual requirements.

STATEMENT ON CORPORATE GOVERNANCE AND DIRECTORS' RESPONSIBILITY

INTRODUCTION

Hotspeck Enterprises (Pvt) Ltd is fully committed to the tenets of integrity, accountability, transparency and responsibility to all its stakeholders and the Board of Directors subscribes to the need to conduct Hotspeck's business professionally, ethically and in accordance with principles of good corporate governance.

BOARD OF DIRECTORS

The Board of Directors ("the Board") was appointed in terms of Section 6 (2), (3) and (4) of the Rural Electrification Fund Act (Chapter 13:20). The governing statute determines the composition, functions and powers of the Board. The full Board has eleven members excluding the Chief Executive Officer, the only Executive Director who sits on the Board but with no voting rights. To ensure compliance with good corporate governance principles and accountability, the office of Board Chairman is distinct from that of the Chief Executive Officer.

The Board meets at least quarterly to review strategies, policies and monitor management's performance. Special and combined meetings are held to quickly dispense of urgent Board business. Five Board Committees chaired by non-executive directors assist the Board in the better exercise of its functions. These are the Manpower and Remuneration, Audit and Corporate Governance, Projects and Business Development, Strategic Planning and lastly but not least, Finance and Procurement Committees. The Strategic Planning Committee was formed in the year 2012 to monitor the strategic review and implementation process. The five Board Committees meet at least once quarterly ahead of the main Board meetings. It is the Board's prerogative to regularly review membership and terms of reference of the Board Committees.

The Board retains the right to amend or rescind any decision of the Board Committees and in that regard the Board has retained full control by approving new projects and capital expenditure, allocation of funds and effectively manage performance. Guided by section 18 (2) of the Rural Electrification Fund Act (Chapter 13:20), the Board may appoint to the Board Committee, persons who are not members of the Board to tap into their wealth of experiences from their fields of business.

BOARD COMMITTEES

The REF Board has five Committees chaired by non-executive directors to assist the Board in the better exercise of its functions and these are:

OPERATIONS AND BUSINESS DEVELOPMENT COMMITTEE

The Committee assists the Board in reviewing and prioritisation of energy projects within REF's jurisdiction. It further assists and provide guidance to management on projects of strategic nature. The Committee is seized with the responsibility of reviewing the project roll-out programme and align it to the national agenda. The Projects Director, Planning and Technology Director, and the General Manager for Hotspeck Enterprises attend all Committee meetings by invitation so as to present performance reports and also advise the Committee on technical matters affecting its deliberations.

Members:

Non-Executive

F.S Mbetsa (Chairman)
T. Kutamahufa
E. Seenza
N. F. Chikonye

Executive

J. V. Mashamba

MANPOWER AND REMUNERATION COMMITTEE

The Committee assists the Board with the review of human resource strategy, policies and practices to ensure that the Group remains competitive and management and staff retention levels remain at acceptably high levels. In addition, the Committee periodically reviews the organizational structure for strategic fitness. Such a policy ensures that interests of stakeholders and the corporate image remain well protected. Even though the Chief Human Resource Officer is not a committee member he attends all the Committee's meetings to present performance reports and advise on technical matters.

Members:

Non-Executive

C. Chiringa (Chairman)
L.L. Dhlamini
C. Chitiyo
P. Ndemera

Executive

J. V. Mashamba

AUDIT AND CORPORATE GOVERNANCE COMMITTEE

The Committee assists the Board in the continuous assessment of effectiveness of internal control systems and mechanisms, minimization of risk of loss, theft or pilferages of the Group's assets, reporting and disclosure, ensuring compliance with good governance principles, relevant legislation and regulatory authorities and review and approval of internal audit plans, findings and reports. Even though the Internal Audit Manager is not an Audit and Corporate Governance Committee member, she attends all the meetings to present internal audit findings and recommendations and advise on technical matters.

Non-Executive Members

S. Ncube (Chairman)
P. Ndemera
L.L. Dhlamini
T. Kutamahufa

FINANCE AND PROCUREMENT COMMITTEE

The Committee assists the Board in reviewing the integrity of accounting and financial reporting. It also assists the Board in reviewing and approving proposed income and disbursements and expenditure of the Fund, acquisitions of major assets, borrowings and monitors levy remittances, debt collections and procurement activities. Even though Finance Director is not a Committee Member, she attends all Committee meetings to present quarterly financial performance reports and advise on technical matters.

Members:

Non-executive

A. Maronge (Chairperson)
C. Chitiyo
N.F. Chikonye

Executive

J. V. Mashamba

STRATEGIC PLANNING COMMITTEE

The Committee assists the Board in the review of the strategic plan with a view of aligning the strategy to the mandate as spelt out in the governing statute and the National Energy Policy. It also monitors the implementation process. The Committee receives progress reports from the consultants that the Fund engages to drive the strategic review and change management processes. These processes are designed to enhance REF's effectiveness in the implementation of energy and energy consuming projects. The committee's membership is drawn from the Committee chairperson and is chaired by an Independent Non-Executive Board Member.

Members:

Non-executive

E. Seenza (Chairman)
S. Ncube
C. Chiringa
F. S. Mbetsa
A. Maronge

Executive

J. V. Mashamba



C.B. E. Mutsvairo
Corporate Secretary

09 November 2022

Date



Eng. J. V. Mashamba
Chief Executive Officer

09 November 2022

Date



W. A. Chiwewe
Board Chairman

09 November 2022

Date



Hotspeck Enterprises (Private) Limited
Annual Financial Statements
31 December 2021

NATURE OF BUSINESS:

Provision of treated poles to Rural Electrification Fund and commercial projects to other commercial clients.

DIRECTORS:

Chiwewe W. A.	(Board Chairman)
Mashamba J. V.	(Chief Executive Officer)
Chitiyo C.	(Vice Chairman)
Dhlamini L. L.	(Non-Executive Director)
Maronge A.	(Non-Executive Director)
Ndemera P.	(Non-Executive Director)
Seenza E.	(Non-Executive Director)
Mbetsa S. F.	(Non-Executive Director)
Chiringa C.	(Non-Executive Director)
Chikonye N. F.	(Non-Executive Director)
Katamahufa T.	(Non-Executive Director)
Ncube S.	(Non-Executive Director)

REGISTERED OFFICE:

106 Herbert Chitepo Avenue
Jatali Building
MUTARE

AUDITORS:

Grant Thornton
Chartered Accountants (Zimbabwe)
Camelsa Business Park
135 Enterprise Road
Highlands
HARARE

SECRETARY:

Mutsvairo C. B. E.

BANKERS:

CBZ Bank Limited
31 2nd Street
MUTARE

LAWYERS:

Mugadza and Chinzanga Legal Practitioners.

These financial statements are expressed in Zimbabwe Dollars (ZWL).

Responsibilities of Management and Those Charged with Governance for the Inflation Adjusted Annual Financial Statements for the year ended 31 December 2021

It is the Directors' responsibility to ensure that the financial statements fairly present the state of affairs of the Company. The external auditors are responsible for independently reviewing and reporting on the financial statements.

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

The financial statements set out in this report have been prepared by management in accordance with International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standards Board (IASB), which includes standards and interpretations approved by the IASB and Standing Interpretations Committee (SIC) interpretations issued under previous constitutions.

The Conceptual Framework for Financial Reporting requires that in applying fair presentation of financial statements, entities should go beyond the consideration of the legal form of transactions and any other factors that could have an impact on them. IAS 21 requires an entity to apply certain parameters in determining the functional currency of an entity for use in the preparation of its financial statements. This standard also requires an entity to make certain judgments, where applicable, regarding appropriate exchange rates between currencies where exchangeability through a legal and market exchange mechanism is not achievable.

The requirement to comply with Statutory Instrument (S.I) 33 of 2019 as enacted by the Finance Act No. 2 of 2019 created inconsistencies with IAS 21, as well as the principles embedded in the Conceptual Framework for Financial Reporting. This has resulted in the adoption of the accounting treatment in the prior year's financial statements, which deviates from that which would have been applied if the Company had been able to fully comply with IFRS.

The Directors carried out an impact on the effect of Covid 19 on the Company's operations and income streams and came to a conclusion that the impact is not material to affect the ability of the Company to continue as a going concern for the twelve months ended 31 December 2021.

The Company's accounting and internal control systems are designed to provide reasonable assurance as to the integrity and reliability of the financial statements and to adequately safeguard, verify and maintain accountability of its assets. Such controls are based on established written policies and procedures and all employees are required to maintain the highest ethical standards in ensuring that the Company's business practices are conducted in a manner which in all reasonable circumstances is above reproach. Issues that come to the attention of the Directors have been addressed and the

Directors confirm that the system of accounting and internal control is operating in a satisfactory manner.

The Company's financial statements which are set out on pages 132 to 156 were, in accordance with their responsibilities, approved by the Board of Directors on **14 November 2022** and are signed on its behalf by:



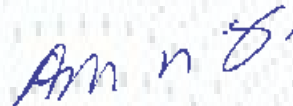
Makumbinde F.
Finance Director



Eng. J. V. Mashamba
Chief Executive Officer



Chiwewe W. A.
Board Chairman



Maronge A.
Non - Executive Director

INDEPENDENT AUDITOR'S REPORT

To the members of Hotspeck Enterprises (Private) Limited

Report on the Audit of the Financial Statements

Qualified Opinion

We have audited the inflation adjusted financial statements of Hotspeck Enterprises (Private) Limited as set out on pages 132 to 156, which comprise the inflation adjusted statement of financial position as at 31 December 2021, the inflation adjusted statement of profit or loss and other comprehensive income, the inflation adjusted statement of changes in equity and the inflation adjusted statement of cash flows for the year then ended, and the notes to the inflation adjusted financial statements, including a summary of significant accounting policies.

In our opinion, except for the matters described in the *Basis for Qualified Opinion* section of our report, the financial statements present fairly, in all material respects, the financial position of Hotspeck Enterprises (Private) Limited as at 31 December 2021, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for Qualified Opinion

Non-compliance with International Accounting Standard (IAS) 21 - The Effect of Changes in Foreign Exchange Rates in the prior financial years and International Accounting Standard (IAS) 8 – Accounting Policies, Changes in Accounting Estimates and Errors

During the prior financial years, the foreign currency denominated transactions and balances of the Company were translated into ZWL using the interbank exchange rates which were not considered appropriate spot rates for translations as required by IAS 21. The opinion on the prior year financial statements was modified in respect of this matter and the misstatements have not been corrected in the financial statements for the year ended 31 December 2021.

As the non-compliance with IAS 21 is from prior financial years and there have been no restatements to the prior year financial statements in accordance with IAS 8, some comparative numbers in the financial statements may be misstated. Our opinion on the current year financial statements is modified because of the possible effects of the above matters on the comparability of the current year's figures to corresponding figures of the comparative period. As a result of the residual effects of the non-compliance with IAS 21 and the non-restatement of the comparative figures in accordance with IAS 8, the accumulated loss may contain misstatements.

The effects of the above non-compliance with International Financial Reporting Standards were considered to be material but not pervasive to the financial statements.

Non-compliance with International Accounting Standard (IAS) 29 – Financial Reporting in Hyperinflationary Economies

Although IAS 29 has been applied correctly, its application was based on prior period financial information which was not in compliance with IAS 21 as described above. Had the correct base numbers been used, some elements of the financial statements (including monetary gain/loss) would have been materially different. The impact of the departure from the requirements of these standards is considered material but not pervasive to the financial statements for the year ended 31 December 2021.

Valuation of property, plant and equipment

The determination of fair values for assets presented in the financial statements is affected by the prevailing economic environment. These financial statements include property, plant and equipment that are carried at fair value in accordance with IFRS 13 "Fair value measurement".

The valuation of the property and equipment was performed by an independent valuer as at 31 December 2021. The property, plant and equipment valuations were determined in USD and then translated to ZWL using the auction rate of the Reserve Bank of Zimbabwe as at 31 December 2021. Although the determined USD values reflected the fair value of the property and equipment in USD, the converted ZWL fair values were not in compliance with IFRS 13 as they may not reflect the assumptions that market participants would apply in valuing similar items of property and equipment in ZWL.

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other information

The Directors are responsible for the other information. The other information comprises of the Chairman's statement, Chief executive officer's statement and statement on corporate governance which we obtained prior to the date of this auditor's report. The other information does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance or conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements, or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRSs, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the Financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the Financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the Company audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other legal and regulatory requirements

In our opinion, except for the non-compliance with International Accounting Standards as described in our *Basis for Qualified Opinion*, the financial statements have been properly prepared in compliance with the requirements of the Companies and Other Business Entities Act (Chapter 24:31).

The engagement partner on the audit resulting in this Independent Auditor's Report is Alice Mafanuke.



Alice Mafanuke

Partner

Registered Public Auditor (PAAB No: 0465)

15 November 2022

Grant Thornton

Chartered Accountants (Zimbabwe)

Registered Public Auditors

HARARE

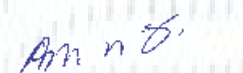
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2021


		Inflation adjusted		Historical cost	
	Notes	2021 ZWL	2020 ZWL	2021 ZWL	2020 ZWL
Revenue	5	67 478 639	92 022 052	59 303 059	45 821 425
Cost of sales		(51 558 583)	(58 505 437)	(42 980 317)	(23 349 028)
Gross profit		15 920 056	33 516 615	16 322 742	22 472 397
Other income	6	5 089 616	12 285 470	4 540 484	4 179 817
		21 009 671	45 802 085	20 863 226	26 652 214
Operating expenses		(46 824 768)	(28 738 522)	(37 386 273)	(15 900 898)
Operating (loss)/profit before monetary gain		(25 815 097)	17 063 563	(16 523 047)	10 751 316
Monetary gain		6 258 513	9 096 433	-	-
(Loss)/profit before income tax		(19 556 584)	26 159 996	(16 523 047)	10 751 316
Income tax expense	8	4 444 558	(5 083 571)	2 226 274	(2 879 908)
(Loss)/profit for the year		(15 112 026)	21 076 425	(14 296 773)	7 871 408
<i>Other comprehensive (loss)/profit:</i>					
Revaluation (reversal)/gain on property, plant and equipment	9	(47 863 890)	-	142 096 307	-
Revaluation gain of intangible assets	11	139 178	252 669	172 623	130 531
Income tax relating to revaluation	8	11 797 548	(62 460)	(23 964 337)	(32 267)
Other comprehensive (loss)/income, net of tax		(35 927 164)	190 209	118 304 593	98 264
Total comprehensive (loss)/income for the year		(51 039 190)	21 266 634	104 007 820	7 969 672


STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2021

		Inflation adjusted		Historical cost	
			2020 ZWL	2021 ZWL	2020 ZWL
ASSETS					
Non-current assets					
Property, plant and equipment	9	171 065 951	220 560 192	171 065 951	30 239 065
Right of use asset	10.1	528 445	-	336 272	-
Intangible assets	11	217 332	112 785	217 332	71 546
		<u>171 811 728</u>	<u>220 672 976</u>	<u>171 619 555</u>	<u>30 310 611</u>
Current assets					
Inventories	12	22 843 772	10 143 205	14 211 877	3 093 347
Trade and other receivables	13	16 085 647	7 321 428	15 756 596	4 554 906
Cash and cash equivalents	14	10 017 940	20 080 622	10 017 940	12 492 828
		<u>48 947 359</u>	<u>37 545 255</u>	<u>39 986 413</u>	<u>20 141 081</u>
Total assets		220 759 087	258 218 231	211 605 968	50 451 692
EQUITY AND LIABILITIES					
Share capital and reserves					
Share capital	15	4 485	4 485	100	100
Share premium		147 139 195	147 139 195	3 286 056	3 286 056
Revaluation reserve		58 135 827	94 062 991	140 171 619	21 867 026
(Accumulated loss) / Retained earnings		(46 786 042)	(31 674 016)	(8 359 308)	5 937 465
Total equity		158 493 465	209 532 655	135 098 467	31 090 647
Non-Current Liabilities					
Lease liability	10.2	384 694	-	384 694	-
Deferred tax liability	8	17 659 832	33 901 937	31 901 710	10 163 647
		<u>18 044 526</u>	<u>33 901 937</u>	<u>32 286 404</u>	<u>10 163 647</u>
Current liabilities					
Trade and other payables	16	12 969 224	8 890 773	12 969 224	5 531 248
Provisions	17	4 143 032	3 121 172	4 143 032	1 941 786
Related party payables	18	27 028 611	2 771 694	27 028 611	1 724 364
Lease liability current portion	10.2	80 230	-	80 230	-
Total current liabilities Total		44 221 097	14 783 639	44 221 097	9 197 398
Equity and liabilities		220 759 088	258 218 231	211 605 968	50 451 692


 Makumbinde F.
 Finance Director


 Maronge. A.
 Non- Executive Director


 Eng. J.V Mashamba
 Chief Executive Officer


 Chiwewe W. A.
 Board Chairman

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2021

	Inflation adjusted				
	Share Capital ZWL	Share Premium ZWL	Revaluation Reserve ZWL	Accumulated loss/Retained Earnings ZWL	Total equity ZWL
At 1 January 2020	4 485	147 139 195	93 872 782	(52 750 441)	188 266 021
Total comprehensive (loss)/income for the year	-	-	190 209	21 076 425	21 266 634
Balance as at 31 December 2020	4 485	147 139 195	94 062 991	(31 674 016)	209 532 655
Balance as at 1 January 2021	4 485			(31 674 016)	209 532 655
Total comprehensive (loss)/income for the year	-	-	(35 927 164)	(15 112 026)	(51 039 190)
Balance as at 31 December 2021	4 485	147 139 195	58 135 827	(46 786 042)	158 493 465

	Historical cost				
	Share Capital ZWL	Share Premium ZWL	Revaluation Reserve ZWL	Accumulated loss/Retained Earning ZWL	Total equity ZWL
At 1 January 2020	100	3 286 056	21 768 762	(1 933 943)	23 120 975
Total comprehensive (loss)/income for the year	-	-	98 264	7 871 408	7 969 672
Balance as at 31 December 2021	100	3 286 056	21 867 026	5 937 465	31 090 647
Balance as at 1 January 2021	100	3 286 056	21,867,026	5 937 465	31 090 647
Total comprehensive (loss)/income for the year			118 304 593	(14 296 773)	104 007 820
Balance as at 31 December 2021	100	3 286 056	140 171 619	(8 359 308)	135 098 467

STATEMENT OF CASHFLOWS FOR THE YEAR ENDED 31 DECEMBER 2021

	Notes	Inflation adjusted		Historical cost	
		2021 ZWL	2020 ZWL	2021 ZWL	2020 ZWL
Cash flows from operating activities					
(Loss)/profit before income tax expense		(19 556 584)	26 159 996	(16 523 047)	10 751 316
Adjustments for:					
Depreciation- property, plant and equipment	9	1 630 351	4 427 464	1 269 421	1 263 438
Depreciation- right of use asset	10.1	86 786	-	67 254	-
Finance cost	10.2	62 507	-	48 701	-
Exchange loss	10.2	120 327	-	120 327	-
Amortisation	11	34 631	150 665	26 837	26 837
Monetary gain		(6 258 513)	(9 096 433)	-	-
		(23 880 495)	21 641 692	(14 990 507)	12 041 591
Changes in working capital:					
(Increase)/Decrease in inventories		(12 700 567)	9 349 707	(11 118 531)	(389 918)
(Increase) in trade and other receivables		(8 764 218)	(2 150 760)	(11 201 690)	(3 837 797)
Increase in provisions		1 021 861	2 288 539	2 201 246	1 826 310
Increase/(Decrease) in trade and other payables		4 078 450	(5866 953)	7 330 345	5 111 881
Increase/ (Decrease) in related party payables		24 256 917	26 253 109	25 304 249	(2301 022)
Cash generated from operations		(15 988 052)	51 515 334	(2 474 888)	12 451 045
Cash flows from investing activities:					
Acquisition of property, plant and equipment	9	-	(107 638)	-	(15 254)
Net cash utilised in investing activities		-	(107 638)	-	(15 254)
Net Increase/(decrease) in cash and cash equivalents		(15 988 052)	51 407 696	(2 474 888)	12 435 791
Cash and cash equivalents at the beginning of the year		20 080 622	411 262	12 492 828	57 037
Effects of inflation on cash and cash equivalents		6 047 697	(31 738 336)	-	-
Cash and cash equivalents at end of the year	14	10 140 267	20 080 622	10 017 940	12 492 828

STATEMENT OF ACCOUNTING POLICIES FOR THE YEAR ENDED 31 DECEMBER 2021

1. General Information

1.1 Nature of business and Incorporation

Hotspeck Enterprises (Private) Limited (the "Company") is 100% owned by Rural Electrification Fund. It is incorporated in Zimbabwe and started operating in September 2012. Its main objective is to procure raw poles, treat them and sell them at a profit. It is also involved in commercial projects like grid construction, solar installations, biogas and consultants on energy projects.

1.2 Currency

These financial statements are presented in Zimbabwe Dollars (ZWL) being the functional and reporting currency of the primary economic environment in which the Company operates.

1.3 Basis of preparation

The financial statements of the Company are prepared under the historical cost conversion. For the purpose of fair presentation in accordance with *International Accounting Standard (IAS) 29 "Financial Reporting In Hyperinflationary Economies"*, the historical cost information has been restated for changes in the general purchasing power of the ZWL and appropriate adjustments and reclassifications have been made. Accordingly, the inflation adjusted financial statement represent the primary financial statements of the Company. The historical cost financials statements have been provided by way of supplementary information.

2.0 New or revised standard or interpretation

Several other amendments and interpretations apply for the first time in 2021, but do not have an impact on the financial statements of the Company. The Company has not early adopted any standards, interpretations or amendments that have been issued but are not yet effective.

Standards issued but not yet effective

2.1 IAS 8 — Accounting Policies, Changes in Accounting Estimates and Errors- Definition of Material

On 12 February 2021, the IASB issued amendments to IAS 8-Accounting Policies, Changes in Accounting Estimates and Errors in which it introduces a definition of 'accounting estimates'. The amendments clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. Also, they clarify how entities use measurement techniques and inputs to develop accounting estimates. The amendments are effective for annual periods beginning on or after 1 January 2023 and apply to changes in accounting policies and changes in accounting estimates that occur on or after the start of that period. Earlier application is permitted as long as long as this is disclosed.

2 New or revised Standard or Interpretation (continued)

2.2 Amendments to IAS 1 Classification of Liabilities as Current or Non-Current

The amendment clarifies that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period. Classification is unaffected by expectations of the entity or events after the reporting date (for example, the receipt of a waiver or a breach of covenant).

2.3 Amendments to IAS 16: Property, Plant and Equipment — Proceeds before Intended Use

The amendment to IAS 16 prohibits an entity from deducting from the cost of an item of PPE any proceeds received from selling items produced while the entity is preparing the asset for its intended use (for example, the proceeds from selling samples produced when testing a machine to see if it is functioning properly). The proceeds from selling such items, together with the costs of producing them, are recognised in profit or loss.

2.4 Amendments to IFRS 16 Covid-19 Related Rent Concessions

The amendment clarifies which costs an entity includes in assessing whether a contract will be loss-making. This assessment is made by considering unavoidable costs, which are the lower of the net cost of exiting the contract and the costs to fulfil the contract. The amendment clarifies the meaning of 'costs to fulfil a contract'. Under the amendment, costs to fulfil a contract include incremental costs and the allocation of other costs that relate directly to fulfilling the contract.

3 Summary of significant policies

The financial statements have been prepared using the significant accounting policies and measurement bases summarised below:

3.1 IAS 29 'Financial Reporting in Hyper -Inflationary Economies'

The Company adopted IAS 29 – “Financial Reporting in Hyper - Inflationary Economies” effective 1 January 2019 as proclaimed by the local accounting regulatory board, Public Accountants and Auditors Board “PAAB”. IAS 29 requires that the financial statements prepared in the currency of a hyper-inflationary economy be stated in terms of a measuring unit current at the balance sheet date. The restatement has been calculated by means of conversion factors derived from the consumer price index(CPI) prepared by the Reserve Bank Of Zimbabwe. The conversion factors used to restate the financial statements at 31 December 2020, using a February 2019 base are as follows:

3.1 IAS 29 'Financial Reporting in Hyper -Inflationary Economies' (continued)

	Index	Conversion Factor
31 December 2020	2 475	1
31 December 2019	551.63	4.49
31 December 2018	88.81	27.86

3.2 Summary of significant policies (continued) *Foreign currency translation*

Foreign currency transactions are translated into the functional currency of the entity, using the exchange rates prevailing at the dates of the transactions (spot exchange rate). Foreign exchange gains and losses resulting from the settlement of such transactions and from the re-measurement of monetary items denominated in foreign currency at year-end exchange rates are recognised in profit or loss.

Non-monetary items are not retranslated at year-end and are measured at historical cost (translated using the exchange rates at the transaction date), except for non-monetary items measured at fair value which are translated using the exchange rates at the date when fair value was determined.

In the entity's financial statements, all assets, liabilities and transactions of the entities with a functional currency other than the US dollar, are translated into ZWL dollars upon consolidation. The functional currency of the entity has remained unchanged during the reporting period.

Property, plant and equipment

Property, plant, and equipment are stated at historical cost less accumulated depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. All other repairs and maintenance costs are charged to the income statement during the financial period in which they are incurred.

3.3 *Intangible assets*

Software acquired by the Company is stated at cost less accumulated amortisation and accumulated impairment losses. Subsequent expenditure on computer software is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. Amortisation is recognised in the income statement on a straight line basis over the estimated useful life of the software, from the date that it is available for use. The estimated useful life is five years. Amortisation methods, useful lives and residual values are reviewed at each financial year end and adjusted if necessary.

3 Summary of significant policies (continued)

3.4 Impairment of non-financial assets

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

3.5 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weight average cost method. The cost of finished goods and work in progress comprises, raw materials, direct labour, other direct costs and related production overheads (based on normal operating capacity). It excludes borrowing costs. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

3.6 Financial assets

3.6.1 Classification

The Company classifies its financial assets in the loans and receivables category. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the reporting date. These are classified as non-current assets. Loans and receivables comprise 'trade and other receivables' and cash and cash equivalents' in the statement of financial position.

3.6.2 Recognition and measurement

Regular purchases and sales of financial assets are recognised on the trade date - the date on which the Company commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets are derecognised when the right to receive cash flows from investments have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership.

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

3.6 Financial assets (continued)

3.6.3 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the Company or counterparty.

3.6.4 Impairment of financial assets Assets carried at amortised cost

IFRS 9 replaces the 'incurred loss model' in IAS 39 with a forward looking 'expected credit loss' (ECL) model. The new impairment model applies to financial assets measured at amortised cost, contract assets and debt instruments at FVOCI, but not to investments in equity instruments. Under IFRS 9, credit losses are recognised earlier than under IAS 39.

Financial assets at amortised cost consist of trade and other receivables and cash and cash equivalents.

Under IFRS 9, loss allowances are measured on either of the following bases:

- 12-month ECLs: these are ECLs that resulted from possible default events within the next 12 months after the reporting date.
- Lifetime ECLs: these are the ECLs that result from all possible default events over the expected life of a financial instrument.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Company's historical experience and informed credit assessment and including forward looking information.

The Company assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due.

Factors that may be considered in assessing whether risk has increased significantly includes;

- Changes in market indicators of credit risk;
- Credit ratings;
- Changes to contractual terms;
- Adverse changes in general economic or market conditions; and
- Changes in the expected behavior of the borrower.

3.6 Financial assets (continued)

Measurement of ECL

ECLs are a probability weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Company expects to receive). ECLs are discounted at the effective interest rate of the financial asset.

Presentation of impairment

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets.

3.7 Trade and other receivables

Trade and other receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business. If collection is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets. Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest rate method, less allowance for impairment.

3.8 Cash and cash equivalents

Cash and cash equivalents include cash on hand deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less.

3.9 Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new ordinary shares or options are shown in equity as a deduction, net of tax, from proceeds.

3.10 Current and deferred income tax

The tax expense for the period comprises current and deferred income tax. Tax is recognised in the income statement, except to the extent that it relates to items recognised directly in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the reporting date in Zimbabwe where the Company generates its taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions, where appropriate, on the basis of amounts expected to be paid to the tax authorities.

3.10 Current and deferred income tax (continued)

Deferred income tax is recognised on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, deferred income tax liabilities are not recognised if they arise from the initial recognition of goodwill, deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the reporting date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current income tax assets and current income tax liabilities and when the deferred income tax assets and deferred income tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable or different taxable entities where there is an intention to settle the balances on a net basis.

3.11 Trade and other payables

Trade and other payables are obligations to pay for goods and services that have been acquired in the ordinary course of business from suppliers. Trade and other payables are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities. Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest rate method.

3.12 Revenue recognition

The Company recognizes revenue by following the principles of the five-step model in terms of the IFRS 15 as illustrated below:

Step 1: Identification of the contract (s) with customers;

Step 2: Identification of separate performance obligations in the contract;

Step 3: Determination of the transaction price;

Step 4: Allocation of the transaction price to separate performance obligation in the contract; and

Step 5: Recognition of the revenue when (or as) the Company satisfies a performance obligation.

Revenue comprises of revenue from treated poles and other income. Revenue is recognised in terms of IFRS 15 considering whether performance obligations are satisfied at a point in time or over time. Revenue is measured based on consideration specified in a contract with a customer and excludes amounts collected on behalf of third parties. The Company recognizes revenue when it transfers control over a good or service to a customer. Revenue is presented net of value added tax (VAT) and discounts.

Sale of goods

Sales of goods are recognised when the Company has delivered products to the customer, the customer has accepted the products and collectability of the related receivables is reasonably assured.

3.13 Interest income

Interest income is recognised on a time-proportion basis using the effective interest rate method. When a receivable is impaired, the Company reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loans and receivables is recognised using the original effective interest rate.

3.14 Employee benefits

3.14.1 Pension Obligations

The Company operates a defined contribution pension fund, the assets of which are held in separate trustee-administered funds. A defined contribution plan is a pension plan under which the Company pays fixed contributions into a separate entity. The Company has no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employees relating to employee service in the current and prior periods.

For defined contribution plans the Company pays contributions to privately held pension insurance plans on a mandatory, contractual or voluntary basis. Once the contributions have been paid, the Company has no further payment obligations. The payments made to the pension fund are expensed as incurred and are included in employee costs.

3.14.2 National Social Security Authority Pension Fund

The Company and its employees also contribute to the National Social Security Authority Scheme. This is a social security scheme which was promulgated under the National Social Security Act (Chapter 17:04). The Company's obligations under the scheme are limited to specific contributions as legislated from time to time.

3.14.3 Bonus plans

The Company recognises a liability and an expense for bonuses based on a formula that takes into consideration key performance indicators measured on an annual basis. The Company recognises a provision where it is contractually obliged or where there is a past practice that has created a constructive obligation.

3.14.4 Short-term employee benefits

These benefits include salaries and related payments, leave pay, medical and medical scheme payments and other employee payments related to employment conditions.

3.15 Provisions

Provisions are recognised when Hotspeck has a present legal or constructive obligation as a result of past events and reliable estimates of the obligation can be made. The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the statement of financial position date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using cash flows estimated to settle the obligation, its carrying amount is the present value of those cash flows.

3.16 Leases

The Fund assesses at contract inception whether a contract contains a lease. That is if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

3.16.1 Hotspeck as a lessee

The entity applies a single recognition and measurement approach for all leases, except for short term leases and leases of low-value assets. The entity recognises lease liabilities and right of use assets.

Right of use assets

The entity recognises right -of-use assets at the commencement date of the lease (i.e the date the underlying asset is available for use.) Right of use asset is measured at cost, less accumulated depreciation and impairment losses, and adjusted for any re-measurement of lease liabilities. The cost of the right of use asset includes the amount of lease liabilities recognised, initial direct costs incurred and lease payments made at or before the commencement date less any lease incentives received. The right of use asset is depreciated on straight line basis over the shorter of the lease term and the estimated useful lives of the assets.

Lease liabilities

At the commencement date of the lease, the entity recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index rate or a rate and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Fund and payments of penalties for terminating the lease.

In calculating the present value of lease payments, the entity uses the rate implicit in the lease and if not readily determinable, it uses the incremental borrowing rate. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is re-measured if there is a modification, a change in the lease term, a change in the lease payments (e.g. changes to future payments resulting from a change in an index rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

3.17 Related parties

The entity defines related parties as:

- Parties that are controlled by or are under common control of Rural Electrification Fund;
- Parties that have significant influence over Rural Electrification Fund;
- Parties that have joint control over Rural Electrification Fund;
- Associates to Rural Electrification Fund;
- Joint ventures in which Rural Electrification Fund are a venture; and
- Key management personnel or close family members;

All transactions with related parties are done at arm's length through the use of the transfer pricing agreement

4 Significant judgements in applying the Company's accounting policies

In preparing the financial statements, management is required to make estimates and assumptions that affect the amounts presented in the financial statements and related disclosures. Use of available information and the application of judgment is inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the financial statements.

The following are key assumptions concerning the future, and other key sources of estimation uncertainty at the balance sheet date that have risk of causing material adjustment to the carrying amounts of asset and liabilities within the next financial year.

4.1 Trade receivables

The Company assesses its trade receivables for impairment at each statement of financial position date. In determining whether an impairment loss should be recorded in the statement of comprehensive income, the Company makes judgement as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset.

4.2 Impairment testing

The Company reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable.

5 Revenue

	Inflation adjusted		Historical cost	
	2021 ZWL	2020 ZWL	2021 ZWL	2020 ZWL
Sale of treated poles	44 540 588	57 501 290	38 320 589	25 337 226
Revenue from commercial projects	22 938 051	34 520 762	20 982 470	20 484 199
Total	67 478 639	92 022 052	59 303 059	45 821 425

6 Other income

Fuel sales	-	23 048	-	12 968
Realised exchange gains	5 041 337	11 642 943	4 502 411	3 987 317
Sundry income	-	598 826	-	168 580
Tender documents	-	3 727	-	600
Interest receivable from bank balances	48 279	16 926	38 073	10 352

7 Profit before tax

5 089 616	12 285 470	4 540 484	4 179 817
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Included in profit before taxation are the following disclosable items:

Expenses

Audit fees	2 042 864	1 754 451	2 019 044	1 058 446
Depreciation	1 630 351	4 427 464	1 269 421	1 263 438
Amortisation				
Staff Costs (Note 7.1)	34 631	150 665	26 837	26 837
	26 148 758	13 954 733	21 750 963	7 718 608

7.1 Staff costs

Salaries	9 390 034	7 819 987	7 536 759	3 925 645
Housing allowance	1 918 311	1 108 651	1 528 366	448 088
Medical aid	1 890 880	936 161	1 514 025	424 970
Leave provisions	2 201 246	2 935 561	2 201 246	1 826 311
Social security costs	294 919	475 387	231 957	295 754
Other staff costs	10 453 368	678 986	8 738 610	797 840

26 148 758	13 954 733	21 750 963	7 718 608
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8 Income tax (credit) expense

	Inflation adjusted		Historical cost	
	2021 ZWL	2020 ZWL	2021 ZWL	2020 ZWL
Current tax	-	(62 461)	-	(32 267)
Deferred tax	4 444 558	(5 021 110)	2 226 274	(2 847 641)
	<u>4 444 558</u>	<u>(5 083 571)</u>	<u>2 226 274</u>	<u>(2 879 908)</u>

8.1 Current tax

Taxation reconciliation:

(Loss)/profit before taxation	<u>(19 556 584)</u>	<u>26 159 995</u>	<u>(16 523 047)</u>	<u>10 751 316</u>
Notional tax thereon at 24.72%	(4,834,388)	6 466 751	(4 084 497)	2 657 725
Tax effect of: (Non taxable items)/Non deductible items	<u>9 278 946</u>	<u>(11 550 322)</u>	<u>6 310 771</u>	<u>(5 537 633)</u>
	<u>4 444 558</u>	<u>(5 083 571)</u>	<u>2 226 274</u>	<u>(2 879 908)</u>

8.2 Deferred tax (liabilities)/ assets

Arising from the temporary differences are the following:

Wear and tear	389 830	(8 830 490)	389 830	(1 716 795)
Assessed loss	11 605 639	(24 861 635)	2 877 340	(8 316 321)
Revaluation surplus	(29 666 204)	(209 812)	(35 168 880)	(130 531)
	<u>(17 670 735)</u>	<u>(33 901 937)</u>	<u>(31 901 710)</u>	<u>(10 163 647)</u>
Opening balance	(33 901 937)	(28 818 367)	(10 163 647)	(7 283 739)
Movement through profit or loss	4 444 558	(5 021 110)	2 226 274	(2 847 641)
Movement through other comprehensive income	11 797 548	(62 460)	(23 964 337)	(32 267)
Closing balance	<u>(17 659 832)</u>	<u>(33 901 937)</u>	<u>(31 901 710)</u>	<u>(10 163 647)</u>

9 Property, plant and equipment

	Inflation adjusted					
	Buildings ZWL	Plant and machinery ZWL	Motor vehicles ZWL	Computer equipment ZWL	Furniture and Fittings ZWL	Total ZWL
Year ended 31 December 2020						
Opening carrying amount	27 994 748	173 098 862	20 930 303	2 169 195	686 910	224 880 018
Additions	-	107 638	-	-	-	107 638
Depreciation charge	(273 985)	(2 987 880)	(766 710)	(334 593)	(64 296)	(4 427 464)
Closing carrying amount	<u>27 720 763</u>	<u>170 218 620</u>	<u>20 163 593</u>	<u>1 834 602</u>	<u>622 614</u>	<u>220 560 192</u>
At 31 December 2020						
Cost/valuation	27 994 748	173 206 500	20 930 303	2 169 195	686 910	224 987 656
Accumulated depreciation	(273 985)	(2 987 880)	(766 710)	(334 593)	(64 296)	(4 427 464)
Carrying amount	<u>27 720 763</u>	<u>170 218 620</u>	<u>20 163 593</u>	<u>1 834 602</u>	<u>622 614</u>	<u>220 560 192</u>
Year ended 31 December 2021						
Opening carrying amount	27 720 763	170 218 620	20 163 593	1 834 602	622 614	220 560 192
Revaluation gain/ (loss)	(21 634 218)	(21 454 938)	(4 753 883)	(46 750)	25 899	(47 863 890)
Depreciation charge	(100 346)	(621 213)	(752 561)	(135 194)	(21 037)	(1 630 351)
Closing carrying amount	<u>5 986 199</u>	<u>148 142 469</u>	<u>14 657 149</u>	<u>1 652 658</u>	<u>627 476</u>	<u>171 065 951</u>
At 31 December 2021						
Cost/valuation						
Accumulated depreciation	5 986 199	148 142 469	14 657 149	1 652 658	627 476	171 065 951
Carrying amount	<u>5 986 199</u>	<u>148 142 469</u>	<u>14 657 149</u>	<u>1 652 658</u>	<u>627 476</u>	<u>171 065 951</u>

9 Property, plant and equipment

	Historical cost					
	Buildings ZWL	Plant and machinery ZWL	Motor vehicles ZWL	Computer equipment ZWL	Furniture and Fittings ZWL	Total ZWL
Year ended 31 December 2020						
Opening carrying amount	3 882 530	24 305 842	2 902 778	31 0 834	95 265	31 487 249
Additions		15 254				15 254
Depreciation charge	(77 763)	(481 408)	(583 196)	(101 508)	(19 563)	(1,263,438)
Closing carrying amount	3 804 767	23 839 688	2 319 582	199 326	75 702	30 239 065
At 31 December 2020						
Cost/valuation	3 882 530	24 321 096	2 902 778	300 834	95 265	31 502 503
Accumulated depreciation and impairment	(77 763)	(481 408)	(583 196)	(101 508)	(19 563)	(1,263,438)
Carrying amount	3 804 767	23 839 688	2 319 582	199 326	75 702	30 239 065
Year ended 31 December 2021						
Opening carrying amount	3 804 767	23 839 688	2 319 582	199 326	75 702	30 239 065
Revaluation	2 259 196	124 790 173	12 920 762	1 558 100	568 076	142 096 307
Disposal			(501 000)			(501 000)
Depreciation on disposal			501 000			501 000
Depreciation charge	(77 763)	(487 392)	(583 196)	(104 768)	(16 302)	(1,269,421)
Closing carrying amount	5 986 200	148 142 469	14 657 148	1 652 658	627 476	171 065 951
At 31 December 2021						
Cost/valuation	5 986 200	148 142 469	14 657 148	1 652 658	627 476	171 065 951
Accumulated depreciation and impairment	—	—	—	—	—	—
Carrying amount	5 986 200	148 142 469	14 657 148	1 652 658	627 476	171 065 951

10 Leases

10.1 Right of use asset

Year ended 31 December 2021

Opening carrying amount

Additions

Depreciation

Closing carrying amount

Year ended 31 December 2021

Cost

Accumulated depreciation

Closing carrying amount

10.2 Lease liability

Opening balance

Lease payments

Finance charge

Exchange loss

Effect of inflation

Closing balance

Reconciliation

Current

Non-Current

Total

Inflation adjusted		Historical cost	
2021 ZWL	2020 ZWL	2021 ZWL	2020 ZWL
-		-	
615 231		403 526	
(86 786)		(67 254)	
528 445		336 272	
615 231		403 526	
(86 786)		(67 254)	
<u>528 445</u>		<u>336 272</u>	
403 526		403 526	
(107 630)		(107 630)	
62 507		48 701	
120 327		120 327	
(13 806)		-	
464 924		464 924	
80 230		80 230	
384 694		384 694	
<u>464 924</u>		<u>464 924</u>	

11 Intangible assets

	Inflation adjusted		Historical cost	
	2021 ZWL	2020 ZWL	2021 ZWL	2020 ZWL
Opening carrying amount	112 785	10 781	71 546	119
Revaluation gain	139 178	252 669	172 623	98 264
Amortisation charge	(34 631)	(150 665)	(26 837)	(26 837)

Closing carrying amount

217 332	112 785	217 332	71 546
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Cost/valuation	217 332	353 918	217 332	101 920
Accumulated amortisation	-	(241 133)	-	(30 374)

Closing carrying amount

217 332	112 785	217 332	71 546
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12 Inventories

Raw materials	14 944 142	5 025 052	9 297 252	1 532 477
Finished goods	7 899 630	5 118 153	4 914 625	1 560 870
	<u>22 843 772</u>	<u>10 143 205</u>	<u>14 211 877</u>	<u>3 093 347</u>

13 Trade and other receivables

Trade receivables	6 049 081	8 854 250	6 049 081	5 508 526
Expected credit loss allowance	(544 392)	(1 682 523)	(544 392)	(1 046 754)
Trade receivables (net)	5 504 689	7 171 727	5 504 689	4 461 772
Other receivables	-	6 624	-	4 121
Prepayments	10 580 958	141 968	10 251 907	88 323
Staff debtors	-	1 109	-	690
	<u>16 085 647</u>	<u>7 321 428</u>	<u>15 756 596</u>	<u>4 554 906</u>

14 Cash and cash equivalents

For the purposes of the statements of cash flows, cash and cash equivalents comprise the following:

Bank balances

Inflation adjusted		Historical cost	
2021 ZWL	2020 ZWL	2021 ZWL	2020 ZWL
10 017 940	20 080 622	10 017 940	12 492 828

15 Share Capital

Authorised:

2 000 ordinary shares of ZWL 1 each

2000	2 000	2000	2000
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Issued and fully paid:

100 ordinary shares of ZWL 1 each

4 485	4 485	100	100
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The unissued share capital is under the control of the directors, but subject to the limitations imposed by the Zimbabwe Companies and Other Business Entities Act (Chapter 24:31) and the Articles of Association of the Company.

16 Trade and other payables

Trade
Other

5 908 507	4 468 687	5 908 507	2 780 120
7 060 717	4 422 086	7 060 717	2 751 128
12 969 224	8 890 773	12 969 224	5 531 248

17 Provision for leave pay

	Inflation adjusted		Historical cost	
	2021 ZWL	2020 ZWL	2021 ZWL	2020 ZWL
Opening balance	3 121 172	832 632	1 941 786	115 476
Monetary Adjustment	(1 179 386)	(647 020)	-	-
(Decrease)/ Increase in provisions	2 201 246	2 935 560	2 201 246	1 826 310
Closing balance	4 143 032	3 121 172	4 143 032	1 941 786

18 Related party receivables

The Company is controlled by Rural Electrification Fund which owns 100% of the Company's ordinary shares.

The following balances were outstanding at year end with related parties:

Related party receivables

Rural Electrification Fund	1 472 689	-	1 472 689	-
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Related party payables

Rural Electrification Fund	27 028 611	2 771 694	27 028 611	1 724 364
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18.1 Related party transactions

The following balances represent transactions with related parties during the year:

Entity	Nature of Transactions				
Rural Electrification Fund	Sale of treated poles	29 903 847	22 803 397	26 383 348	10 875 928
Rural Electrification Fund	Management Fees, Procurement of goods and services	50 467 278	36 243 913	42 311 310	22 511 747

18.2 Key management compensation

Key management comprises directors (executive and non-executive) of the Company. The compensation paid or payable to key management for employee services is shown below:

Salaries and other short term benefits	2 821 731	3 498 714	2 284 124	888 436
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19 Post-employment benefits

Retirement benefits obligations

The Company and its employees contribute to the National Social Security Authority ("NSSA") scheme. This is a social security scheme which was promulgated under the National Social Security Act (Chapter 17:04). The Company's obligations under the scheme are limited to specific contributions as legislated from time to time.

	Inflation adjusted		Historical cost	
	2021 ZWL	2020 ZWL	2021 ZWL	2020 ZWL
Contributions made during the year: National Social Security Authority (NSSA)	294 919	475 387	231 957	295 754

20 Capital Commitments

The Company had no significant capital commitments authorised by the directors or contracted for at the reporting date.

21 Financial risk management objectives and policies

The Company's principal financial liabilities, comprise of trade payables. The main purpose of these financial liabilities is to raise finance for the Company's operations. The Company has various financial assets such as trade receivables and cash, which arise directly from its operations. Exposure to credit, interest rate and currency risk arises in the normal course of the company's business.

The main risks arising from the Company's financial instruments are cash flow interest rate risk, foreign currency risk and credit risk. The Board reviews and agrees policies for managing each of these risks which are summarised below:

20.1 Interest rate risk

The Company's exposure to the risk of changes in market interest rates relates primarily to the Company's long and short term debt obligations. The Company's policy is to manage its interest cost using a mix of fixed and variable rate debts.

20.2 Foreign currency risk

The Company has no significant foreign denominated balances at the reporting date. Therefore, the risk related to changes in foreign exchange rates is minimal.

20.3 Credit risk

The Company applies the IFRS 9 simplified model of recognising lifetime expected credit losses for all trade receivables as these items do not have a significant financing component. In measuring the expected credit losses, the trade receivables have been assessed on a collective basis as they possess shared credit risk characteristics. They have been grouped based on the days past due of customers.

The expected loss rates are based on the payment profile for sales over the past 48 months before 31 December 2019 and 1 January 2021 respectively as well as the corresponding historical credit losses during that period. The historical rates are adjusted to reflect current and forwarding looking macroeconomic factors affecting the customer's ability to settle the amount outstanding. The company has identified historical payment patterns be the most relevant factor and accordingly adjusts historical loss rates for expected changes in these factors. However, given the short period exposed to credit risk, the impact of these macroeconomic factors has not been considered significant within the reporting period.

On the above basis, the expected credit loss for trade receivables as at **31 December 2021** and **1 January 2021** was determined as follows:

	1 January 2021				Total ZWL
	Current ZWL	More than 30 days ZWL	More than 60 days ZWL	More than 90 days ZWL	
Expected credit loss rate	5.24%	14.32%	20.15%	28.27%	19.00%
Gross carrying amount	839 985	443 172	3 142 376	1 082 993	5 508 526
Lifetime expected loss	44 002	63 458	633 148	306 146	1 046 754

	31 December 2021				Total ZWL
	Current ZWL	More than 30 days ZWL	More than 60 days ZWL	More than 90 days ZWL	
Expected credit loss rate	2.21%	2.36%	2.95%	50.00%	9.00%
Gross carrying amount	4 649 533	190 085	356 174	853 289	6 049 081
Lifetime expected loss	102 755	4 486	10 507	426 645	544 392

The closing balance of the of the trade receivables loss allowance as at 31 December 2021 reconciles with the trade receivables loss allowance opening balance as follows:

	Inflation adjusted		Historical cost	
	2021 ZWL	2020 ZWL	2021 ZWL	2020 ZWL
Opening balance	1 046 754	893 023	1 046 754	199 075
Movement	(502 362)	153 731	(502 362)	847 679
Closing balance	544 392	1 046 754	544 392	1 046 754

22 Impact of covid-19 pandemic

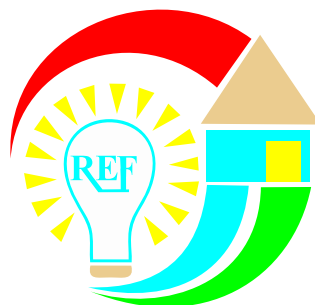
Since 31 December 2019, the spread of COVID-19 has severely impacted many economies around the globe. In many countries, businesses are being forced to cease or limit operations for long or indefinite periods of time. Measures taken to contain the spread of the virus, including travel bans, quarantines, social distancing, and closures of non-essential services have triggered significant disruptions to businesses worldwide, resulting in an economic slowdown. Global stock markets have also experienced great volatility and a significant weakening. Governments and central banks have responded with monetary and fiscal interventions to stabilise economic conditions.

The duration and impact of the COVID-19 pandemic, as well as the effectiveness of Government and central bank responses, remains unclear at this time. It is not possible to reliably estimate the duration and severity of these consequences, as well as their impact on the financial position and results of the Company for future periods.

23 Events after the Reporting Date

Subsequent to year end, and at the time of finalising the financial statements, the Russian invasion of Ukraine has had a significant impact on commodity prices, including increased oil, gas, other commodities (ammonium nitrate, copper, steel etc.) and gold prices. The oil price is a driver for a number of input costs for the group including diesel and transport costs.

Management considered the impact of the high inflationary environment in the business planning process used to determine the 2022 operational plan and guidance. However, further significant increases in oil, gas and other commodity prices could have an adverse effect on the company's business operating results (including increased all in costs) and financial conditions.



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