Grant Thornton

Automobile Association of Zimbabwe
Annual Financial Statements
30 June 2024

NATURE OF BUSINESS:

The Automobile Association of Zimbabwe was founded in 1923 for the provision of motoring services throughout the country. The Association's sources of income are subscriptions, sale of international driving permits, technical services and towing.

BOARD OF FORMER DIRECTORS:

Mapira D.	(**Executive Director** – 7 February 2006 – 9 January 2025)
Gumbo L. C	(**Non-Executive Chairman** – September 2014 - 20 November 2023)
Mutandwa A.	(Non-Executive Director – September 2014 - 24 November 2023)
Njunga J. A	(Non-Executive Director – September 2014 - 24 November 2023)
Beckley B.	(Non-Executive Director – September 2014 – September 2016)
Sibanda S.	(Non-Executive Director – November 2016 - 15 January 2024)

BOARD OF CURRENT DIRECTORS:

Mapira D.	(**Executive Director** – 7 February 2006 – 9 January 2025)
Mpepu A.	(**Non-Executive Chairman** – Appointed 24 November 2023)
Mugano W.	(Non-Executive Director – Appointed 24 November 2023)
Chihota T. P.	(Non-Executive Director – Appointed 10 February 2024)
Mlotshwa R. K.	(Non-Executive Director – Appointed 6 March 2024)
Patel D.	(Non-Executive Finance Chairman – Appointed 18 March 2024)
Masunda M.	(Non-Executive Director – Appointed 30 August 2024)

ASSOCIATION SECRETARY:

Gode N.

REGISTERED OFFICE:

2 Kenilworth Road
Newlands
HARARE

AUDITORS:

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

Contents

These financial statements are expressed in Zimbabwe Gold (ZWG).

Responsibilities of Management and Those Charged with Governance for the financial statements for the year ended 30 June 2024

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

The Former Directors have assessed the ability of the Association 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 Current Non-Executive Directors believe that under the current economic environment a continuous assessment of the ability of the Association 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 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 Association'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 the established written policies and procedures which are monitored throughout the Association and all employees are required to maintain the highest ethical standards in ensuring that the Association's practices are conducted in a manner which in all reasonable circumstances is above reproach. Issues that came to the attention of the Former Directors have not been addressed and the Current Non-Executive Directors confirm that the system of accounting and internal controls that is operating is not in a satisfactory manner.

The Association's financial statements which are set out on pages 8 to 32 were not, in accordance with their responsibilities, approved by the Current Non-Executive Directors and are approved by the Former Directors, Managing Director and Senior Management, and signed on their behalf by:

pp ACTING (MD)

Mapira D.
Managing Director

Musindo S.
Accountant

Current Non-Executive Director's Statement

The Association's financial statements which are set out on pages 8 to 32, in accordance with their responsibilities, are not approved by the Current Non-Executive Directors. This is the unanimous decision of the current board of directors who have not been informed of the existing lack of internal financial controls prevailing and highlighted in all the past audit findings presented to the executive management and former directors by the external auditors.

The Current Non-Executive Directors have only recently been made aware of these audit deficiencies in January 2025, well after taking office. The Current Non-Executive Directors resolved that until adequate internal financial controls are implemented by the executive management, the Current Non-Executive Directors will bear no responsibility as to the correctness of the financial affairs of the Automobile Association of Zimbabwe for the year ended 30 June 2024 and for the year ending 30 June 2025. The Current Non-Executive Directors are in the process of engaging two consultants to review the human resources requirements to facilitate effective service delivery to members as well to ensure appropriate division of duties for financial reporting internal controls purposes necessary for a fair presentation of the financial affairs of the association in order to get an unqualified opinion from the auditors.

Furthermore, the above statement is as a result of the Independent Auditor's Opinion expressed by the external auditors, Grant Thornton, in their audit opinion on pages 3 to 7, and Responsibilities of Management and Those Charged with Governance on page 1 in the financial statements of the Automobile Association of Zimbabwe

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Mpepu A.

Current Non-Executive Chairman

Grant Thornton

INDEPENDENT AUDITORS' REPORT

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To the members of Automobile Association of Zimbabwe

Report on the Audit of the Financial Statements

Disclaimer of Opinion

We were engaged to audit the financial statements of Automobile Association of Zimbabwe set out on pages 8 to 32, which comprise the statement of financial position as at 30 June 2024, the statement of income and expenditure and other comprehensive income, the statement of changes in funds and the statement of cash flows for the year then ended, and the notes to the financial statements, including a summary of material accounting policies.

We do not express an opinion on the accompanying financial statements of the Automobile Association of Zimbabwe. Because of the significance of the matters described in the *Basis for Disclaimer of Opinion* section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

Basis for Disclaimer of Opinion

Non-compliance with International Accounting Standards (IAS) 21 - The Effects of Changes in Foreign Exchange Rates and non-compliance with International Accounting Standards (IAS) 29 - Financial Reporting in Hyperinflationary Economies

During the period from 1 July 2023 to 5 April 2024, the Association was using the Zimbabwe Dollar (ZWL), the currency of a hyperinflationary economy, as its functional and presentation currency. On 5 April 2024, the Government of Zimbabwe through Statutory Instrument 60 of 2024, introduced a new currency, the Zimbabwe Gold (ZWG) to be the unit of account for transactions previously denominated in ZWL. Following the introduction of ZWG, the Association changed its functional

and presentation currency from ZWL to ZWG effective 5 April 2024 as disclosed in **Note 2.1** to these financial statements. As the ZWL was the currency of a hyperinflationary economy, IAS 21 requires the entity to restate its financial statements in accordance with IAS 29 before applying the translation procedures in paragraph 42 of IAS 21.
The change in functional currency entails all amounts (ie assets, liabilities, equity items, income and expenses) as at 5 April 2024, including comparatives to be translated at the closing rate at the date of the change in functional currency.

In preparing the opening ZWG financial statements as at 5 April 2024, management translated the ZWL transactions for the period 1 July 2023 to 5 April 2024 by separating USD and ZWL components of the transactions and balances. The USD amounts were then translated to ZWG using a rate of USD1 to ZWG 13.5616 as at 5 April 2024. The ZWL transactions and balances including the comparatives were translated to ZWG by applying an exchange rate of ZWG 2 498.7242 as at 5 April 2024. The accounting treatment adopted in the change of functional currency from ZWL to ZWG, including comparatives constitutes a departure from the requirements of IAS 21 and IAS 29. The effects of the non-compliance with the requirements of IAS 21 and IAS 29 have been considered to be material and pervasive to the financial statements, as a whole.

Non-compliance with International Financial Reporting Standard (IFRS) 13 – Fair Value Measurement in the prior financial years and International Accounting Standard (IAS) 8 – Accounting Policies, Changes in Accounting Estimates and Errors

During the prior financial year, the Association's property and equipment, and intangible assets valuations were determined in USD and then translated to ZWL using the interbank foreign exchange rate of the Reserve Bank of Zimbabwe. Although the determined USD values reflected the fair value of the property and equipment, and intangible assets in USD, the converted ZWL fair values were not in compliance with IFRS 13 as they did not reflect the assumptions that market participants would have applied in valuing similar items of property and equipment, and intangible assets in ZWL. 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 30 June 2024.

As the non-compliance with IFRS 13 is from prior financial year and there have been no restatements to the prior year financial statements in accordance with IAS 8, '*Accounting Policies, Changes in Accounting Estimates and Errors*', the corresponding amounts for the property and equipment, intangible assets, investment in subsidiary, accumulated fund, revaluation reserve and mark to market reserve in the statement of financial position, and depreciation of property and equipment and amortisation of intangible assets in the statement of income and expenditure and other comprehensive income are misstated. Our audit opinion is therefore modified due to the possible impact of this matter on comparability of the prior year and current year amounts.

Ownership of land and buildings and financial assets
Included in the Association's financial statements is property and equipment, and financial assets valued at **ZWG 6 545 234** and **ZWG 1 253 430**, respectively. Included in the balance of property and equipment are land and buildings valued at **ZWG 1 353 242** in respect of which supporting documentation such as ownership documents was not availed. The financial assets include listed equity investments in respect of which ownership documents such as share certificates was not availed. We were unable to determine the ownership of these land and buildings, and financial assets using alternative audit procedures. Consequently, we were unable to determine whether any adjustments relating to property and equipment, and financial assets in the financial statements were necessary.

Existence and valuation of inventory
Included in the financial statements is inventory amounting **ZWG 57 757**. As at 30 June 2024, there were unreconciled variances between inventory quantities counted and quantities recorded in the inventory valuation report. There were unreconciled variances amounting to **ZWG 86 436** in respect of inventory balance recorded in the financial statements. We were not able to obtain reasonable assurance through alternative procedures regarding existence and valuation of inventory. Consequently, we were unable to determine whether any adjustments relating to inventory in the financial statements were necessary.

Inadequate supporting documentation for operating expenses and journal entries, and uncleared balance in the suspense account
Included in the Association's financial statements are operating expenses and journal entries adjustments amounting to **ZWG 15 634 962** and **ZWG 144 598 516**, respectively in respect of which adequate supporting documentation was not availed. The financial statements also include a suspense account with an uncleared balance of **ZWG 78 402**. We were not able to obtain reasonable assurance through alternative procedures regarding the occurrence of operating expenses and appropriateness of the adjustments recorded in the financial statements. Consequently, we were unable to determine whether any adjustments relating to operating expenses and other line items in the financial statements were necessary.

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 Association 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 disclaimer of opinion.

Emphasis of Matter – Investigation on board fees payments
Without further modifying our opinion, we draw attention to **note 24** to the financial statements which describes the currently ongoing investigation related to the payments of board fees. The

financial effects if any, of the results of the investigation on the financial statements for the year ended 30 June 2024 cannot be presently determined.

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 International Financial Reporting Standards (IFRSs), and for such internal controls 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 Association'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 Association or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Association'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 Association'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 Association'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 Association 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 Association to express an opinion on the financial statements. We are responsible for the direction, supervision, and performance of the Association's 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.

The engagement partner on the audit resulting in this independent auditors' report is Edmore Chimhowa.

Grant Thornton

Edmore Chimhowa
Partner

Registered Public Auditor (PAAB No: 0470)

Grant Thornton
Chartered Accountants (Zimbabwe)
Registered Public Auditors

04 February 2025

HARARE

Statement of income and expenditure
for the year ended 30 June 2024

	Note	2024 ZWG	2023 ZWG
Income			
Subscriptions	5	1 856 172	42 526
Entrance fees		-	15
Towing		604 281	21 172
International driving permits		12 066 129	519 085
Technical services		1 033 279	70 176
Other income	6	2 953 315	743 020
		18 513 176	1 395 994
Expenditure			
Membership	7	(354 008)	(11 972)
Damages	8	(19 815)	-
Publication	9	(5 724)	(142)
Cost of sales	10	(696 325)	(20 905)
Administrative expenses	11	(15 634 962)	(616 513)
Depreciation of property and equipment	12	(531 805)	(6 694)
Amortisation of intangibe assets	13	(10 212)	(1 196)
Increase in allowance for credit loss	17	(27 308)	(1 186)
		(17 280 159)	(658 608)
Surplus for the year		1 233 017	737 386
Other comprehensive income			
Gain on revaluation of property and equipment and intangible assets		-	5 829 341
Fair value gain on investment in subsidary	14	-	4 119 988
		-	9 949 329
Total comprehensive income for the year		1 233 017	10 686 715

Statement of financial position
for the year ended 30 June 2024

	Note	2024 ZWG	2023 ZWG
ASSETS			
Non current assets			
Property and equipment	12	6 545 234	5 865 852
Intangible assets	13	53 478	32 498
Investment in subsidiary	14	4 170 847	4 170 847
		10 769 559	10 069 197
Current Assets			
Inventory	15	57 757	32 761
Financial assets	16	1 253 430	81 578
Trade and other recievables	17	503 709	26 300
Cash and cash equivalents	18	1 591 315	805 409
		3 406 211	946 048
Total assets		14 175 770	11 015 245
FUNDS, RESERVES AND LIABILITIES			
Funds and reserves			
Accumulated funds		1 994 941	761 924
Revaluation reserve		5 904 904	5 904 904
Mark to market reserve		4 170 074	4 170 074
		12 069 919	10 836 902
Current liabilities			
Trade and other payables	19	372 051	72 982
Deferred income	20	1 733 800	105 361
		2 105 851	178 343
Total funds, reserves and liabilities		14 175 770	11 015 245

pp R [illegible] ACTING (MD)

Mapira D.
Managing Director

Musindo

Musindo S.
Accountant

Statement of changes in funds
for the year ended 30 June 2024

	Accumulated funds ZWG	Revaluation reserve ZWG	Mark to market ZWG	Total ZWG
Balance at 1 July 2022	24 538	75 563	50 086	150 187
Revaluation gain	-	5 829 341	4 119 988	9 949 329
Surplus for the year	737 386	-	-	737 386
Balance at 30 June 2023	761 924	5 904 904	4 170 074	10 836 902
Balance at 1 July 2023	761 924	5 904 904	4 170 074	10 836 902
Surplus for the year	1 233 017	-	-	1 233 017
Balance at 30 June 2024	1 994 941	5 904 904	4 170 074	12 069 919

Statement of cashflows
for the year ended 30 June 2024

	Note	2024 ZWG	2023 ZWG
Cashflow from operating activities			
Surplus for the year		1 233 017	737 386
Adjusted for:			
Depreciation of property and equipment	12	531 805	6 694
Amortisation of intangible assets	13	10 212	1 196
Gain on disposal of property and equipment		(30 866)	-
[Profit]/loss on disposal of shares		(77 089)	2 454
Property and equipment, inventory and intangible assets written off		-	2 571
Unrealised gain on investment	6	(1 086 696)	(73 639)
Unrealised exchange gain		-	(1 095)
Cashflows before changes in working capital		580 383	675 567
Changes in working capital			
Changes in working capital	21	1 425 103	111 107
Net cashflows generated from operating activities		2 005 486	786 674
Cashflow from investing activities			
Purchase of property and equipment	12	(1 224 396)	(2 933)
Purchase of intangible assets	13	(31 192)	(3 063)
Purchase of shares		(110 056)	(12 006)
Proceeds from disposal of property and equipment		44 075	-
Proceeds from disposal of shares		101 989	12 006
Cashflows utilised in investing activities		(1 219 580)	(5 996)
Net increase in cash and cash equivalents		785 906	780 678
Cash and cash equivalents at the beginning of the year		805 409	24 731
Cash and cash equivalents at the end of the year	18	1 591 315	805 409

Notes to the financial statements
for the year ended 30 June 2024

1 NATURE OF OPERATIONS

The Automobile Association of Zimbabwe is an association whose principal activities include provision of motoring services to members throughout the country such as roadside assistance and motor valuation services.

2 GENERAL INFORMATION AND STATEMENT OF COMPLIANCE WITH IFRS

2.1 Basis of preparation

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

Change in functional and reporting currency

On 5 April 2024, the Zimbabwe government implemented the replacement of the Zimbabwe Dollar (ZWL) currency with the Zimbabwe Gold currency (ZWG). During the transition, all balances denominated in ZWL and USD were required to be converted to ZWG at the initial conversion rate of 2498.7242 and 13.5616 respectively.

Translation approach

The Association had the ZWL as the functional currency however, the entity was operating in a dual currency system whereby the USD was the main foreign currency. Each transaction passed in the system was rated at an equivalent rate to the USD which is the foreign currency. As the entity was in a hyperinflationary environment transactions were converted at the daily spot rate with the official rate to give the USD equivalent per transaction thus drawing a USD closing balance as at 4 April 2024. The USD trial balance was then calculated using the conversion rate of 13.5616. The ZWL balances and comperatives were converted at a conversion rate of 2498.7242.

2.2 Use of estimates and judgements

The preparation of financial statement require management to make certain judgements, estimates and assumptions that affect the application of accounting policies and reported amounts of assets, liabilities, income and expenditures. Actual results may differ from the estimates. Estimate and underlying assumptions are reviewed on an on-going basis and revisions to accounting estimates.

2.3 Statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) and International Financial Reporting Interpretations Committee (IFRIC) interpretations, except for non-compliance with IFRS 13 and IAS 29. The financial statements are based on statutory records and have been maintained under the historic cost convention and on an accruals basis (with the exception of cash flow information).

Notes to the financial statements
for the year ended 30 June 2024 (continued)

3 NEW OR REVISED STANDARDS

3.1 New standards, amendments and interpretations effective for the first time for 30 June 2024 year end and that are relevant to the entity.

Classification of Liabilities as Current or Non-current, and Non-current Liabilities with Covenants (Amendments to IAS 1, Presentation of Financial Statements).

The ammendments clarify that the classification of liabilities as current or noncurrent is based solely on a company's right to defer settlement for at least 12 months at the reporting date. The right needs to exist at the reporting date and must have substance.

Only covenants with which a company must comply on or before the reporting date may affect this right. Covenants to be complied with after the reporting date do not affect the classification of a liability as current or non-current at the reporting date. However, disclosure about covenants is now required to help users understand the risk that those liabilities could become repayable within 12 months after the reporting date.

The amendments also clarify that the transfer of a company's own equity instruments is regarded as settlement of a liability. If a liability has any conversion options, they generally affect its classification as current or non-current, unless these conversion options are recognized as equity under IAS 32, Financial Instruments: Presentation.

Supplier Finance Arrangements (Amendment to IAS 7, Statement of Cash Flows and IFRS 7, Financial Instruments;

An entity is required to disclose qualitative and quantitative information about its supplier finance programs, such as terms and conditions – including, for example, extended payment terms and security or guarantees provided.

Amongst other characteristics, IAS 7 explains that a supplier finance arrangement provides the entity with extended payment terms, or the entity's suppliers with early payment terms, compared to the related invoice payment due date.

3.2 New standards, amendments and interpretations issued but not effective for 30 June 2024 year end and that are relevant to the entity.

Amendments to IAS 21 - Lack of exchangeability

The amendments introduce a two-step approach:
Assessing exchangeability: An entity determines whether a currency is exchangeable into another currency.

Estimating exchange rate: If not, the exchange rate is estimated to reflect the rate at which an orderly transaction would take place between market participants under prevailing economic conditions.

Notes to the financial statements
for the year ended 30 June 2024 (continued)

4 MATERIAL ACCOUNTING POLICIES

4.1 Revenue recognition

Revenue arises mainly from subscriptions income, international driving permits and towing services.

To determine whether to recognise revenue, the Association follows a 5-step process:
1. Identifying the contract with a customer;
2. Identifying the performance obligations;
3. Determining the transaction price;
4. Allocating the transaction price to the performance obligations; and
5. Recognising revenue when/as performance obligation(s) are satisfied.

The Association often enters into transactions involving a range of the Association's products and services, for example for the delivery of telecommunications hardware, software and related after-sales service. In all cases, the total transaction price for a contract is allocated amongst the various performance obligations based on their relative stand-alone selling prices. The transaction price for a contract excludes any amounts collected on behalf of third parties. Revenue is recognised either at a point in time or over time, when (or as) the Association satisfies performance obligations by transferring the promised goods or services to its customers.

The Association recognises deferred income for consideration received in respect of unsatisfied performance obligations and reports these amounts as other liabilities in the statement of financial position.

Similarly, if the Association satisfies a performance obligation before it receives the consideration, the Association recognises either a contract asset or a receivable in its statement of financial position, depending on whether something other than the passage of time is required before the consideration is due.

4.1.1 Rendering of services

Revenue from the rendering of services is recognised when it is probable that the economic benefits associated with the transaction will flow to the Association and the amount of revenue and related costs can be estimated reliably.

4.1.2 Subscriptions

Subscriptions represent amounts due and receipted in the current year. Advance subscriptions represent subscriptions received and receipted in the current year that relate to amounts due in the ensuing year.

Notes to the financial statements
for the year ended 30 June 2024 (continued)

4 MATERIAL ACCOUNTING POLICIES (continued)

4.1 Revenue recognition (continued)

4.1.3 Dividend income

Dividend revenue from investments is recognised when the shareholder's right to receive payment has been established.

4.2 Property and equipment

Property and equipment are initially recorded at cost. Cost includes expenditure that is directly attributable to the acquisition of the items. Items of property and equipment are subsequently stated at historical cost or revalued amounts less accumulated depreciation and impairment losses. The surplus arising from revaluation is recognised directly into equity.

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 Association and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to statement of income and expenditure during the financial period in which they are incurred.

The gain or loss arising on the disposal or retirement of equipment is determined as the difference between the sale proceeds and the carrying amounts of the asset and is recognized in the statement of income and expenditure.

4.2.1 Depreciation

Land is not depreciated. All other property and equipment are depreciated on a straight line basis or amortised at rates estimated to write-off the cost or valuation of such assets over their expected useful lives.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date. If there is an indication that there has been significant change in depreciation rate, useful life or residual value of an asset, the depreciation of that asset is revised prospectively to reflect the new expectations.

The expected useful lives are as follows:	Rate
Land and buildings	25 years
Furniture and fittings	10 years
Office equipment	5 years
Motor vehicles	4 years

Notes to the financial statements
for the year ended 30 June 2024 (continued)

4 MATERIAL ACCOUNTING POLICIES (continued)

4.2 Property and equipment (continued)

4.2.1 Depreciation (continued)

The assets residual values and useful lives are reviewed annually, and adjusted if appropriate at each reporting date.

4.3 Intangible assets

The software is stated at valuation less accumulated amortization and impairment loss. Subsequent costs are included on the asset's carrying amount or are recognized as a separate asset, as appropriate only when it is probable that future economic benefit associated with the asset or other benefits resulting from the use of the asset by the association shall flow to the Association and that the cost can be measured reliably.

Repairs and maintenance costs shall be expensed as incurred. Data conversion costs, internal and external training costs shall be expensed as incurred. Administration and other general costs shall also be expensed as incurred.

The estimated useful lives is as follows:

Evolution - 3 years
Virtual Private Network - Infinite
Website - Infinite

4.3.1 Amortisation

Software is amortized on a straight-line basis over its economic life which is three years and amortization begins when the program is placed into service. Amortization expense shall be cost less residual value/useful life and the residual value shall be nil as there will be no intention to sell or pass the software to other entity.

4.4 Investment in subsidiary

The investment in subsidiary is accounted for using the equity method. On initial recognition the investment in subsidiary is recognised at cost. The carrying amount is increased or decreased to recognise the Association's share of profit or loss of the investee after the date of acquisition.

Notes to the financial statements
for the year ended 30 June 2024 (continued)

4 MATERIAL ACCOUNTING POLICIES (continued)

4.4 Investment in subsidiary (continued)

The Association's share of profit or loss of the investee reduces the carrying amount of the investment. Adjustments to the carrying amount are also made for changes in the investee's other comprehensive income. These include changes arising from the revaluation of property and equipment and foreign exchange translation differences. These changes are recognised in the Association's other comprehensive income.

4.5 Inventories

Inventories are stated at the lower of cost and net realisable value. Costs of ordinarily interchangeable items are assigned using the first in, first out cost formula. Net realisable value is the estimated selling price in the ordinary course of business less any applicable selling expenses.

4.6 Investments

Marketable securities are carried at market value. Market value is calculated by reference to Stock Exchange quoted selling prices at the close of business on the statement of financial position date.

Fixed asset investments excluding marketable securities are shown at cost and provision is only made where, in the opinion of the directors, there is a permanent diminution in value. Where there has been a permanent diminution in the value of an investment, it is recognised as an expense in the period in which the diminution is identified.

Increases in the carrying amount of marketable securities classified as long-term assets are credited to revaluation and other reserves in shareholders' equity. Decreases that offset previous increases of the same marketable security are charged against revaluation and other reserves; all other decreases are charged to the income statement. Increases in the carrying amount of marketable securities classified as current assets are recognised through the statement of profit or loss and income and expenditure.

On disposal of an investment, the difference between the net disposal proceeds and the carrying amount is recognised through the statement of comprehensive income. On disposal of a marketable security classified as long term asset, amounts in revaluation and other reserves relating to that marketable security are transferred to accumulated fund.

Notes to the financial statements
for the year ended 30 June 2024 (continued)

4 MATERIAL ACCOUNTING POLICIES (continued)

4.7 Financial Instruments

4.7.1 Recognition and derecognition

Financial assets and financial liabilities are recognised when the Association 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.

4.7.2 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); and
• fair value through other comprehensive income (FVOCI).
In the periods presented the association does not have any financial assets categorised as FVOCI.

4.7.3 Subsequent measurement of financial assets

The classification is determined by both:
• the entity's business model for managing the financial asset; and
• the contractual cash flow characteristics of the financial asset.

All income and expenses relating to financial assets that are recognised in profit or loss are presented within finance costs, finance income or other financial items, except for impairment of trade receivables which is presented within other expenses.

Notes to the financial statements
for the year ended 30 June 2024 (continued)

4 MATERIAL ACCOUNTING POLICIES (continued)

4.7 Financial instruments (continued)

4.7.3 Subsequent measurement of financial assets (continued)

Financial assets at amortised cost

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; 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.

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 Association'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.

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. 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.

Notes to the financial statements
for the year ended 30 June 2024 [continued]

4 MATERIAL ACCOUNTING POLICIES [continued]

4.7 Financial instruments [continued]

4.7.3 Subsequent measurement of financial assets [continued]

Financial assets at fair value through other comprehensive income (FVOCI)

The Association 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 derecognition of the asset.

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 Association first identifying a credit loss event. Instead the Association 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.

Notes to the financial statements
for the year ended 30 June 2024 (continued)

4 MATERIAL ACCOUNTING POLICIES (continued)

4.7 Financial instruments (continued)

4.7.3 Subsequent measurement of financial assets (continued)

Classification and measurement of financial liabilities

The Association'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 Association 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.

4.8 Trade and other receivables

The Association 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. The Association uses its historical experience, external indicators and forward-looking information to calculate the expected credit losses using a provision matrix. The Association assess impairment of trade receivables on a collective basis as they possess shared credit risk characteristics they have been grouped based on the days past due.

Credit risk

The Association's credit exposure, at the reporting date, from financial instruments held or issued for trading purposes is represented by the fair value of instruments with a positive fair value at that date, as reported on the statement of financial position date.

The credit risk on liquid funds and derivative financial instruments is limited because counterparties are banks with high credit-ratings. The Association has no significant concentration of credit risk, with exposure spread over a large number of counterparties.

Notes to the financial statements
for the year ended 30 June 2024 (continued)

4 MATERIAL ACCOUNTING POLICIES (continued)

4.8 Trade and other receivables (continued)

Fair values

The carrying amount of trade receivables, cash and short term deposits, trade payables and short term loans approximate to their fair values due to the short term nature of these assets and liabilities.

4.9 Trade and other payables

Trade and other payables (including amounts due to related parties) are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

4.10 Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, bank overdrafts, and other short term highly liquid investments that are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value.

4.11 Provisions

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

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be remote.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

Notes to the financial statements
for the year ended 30 June 2024 (continued)

4 MATERIAL ACCOUNTING POLICIES (continued)

4.12 Employment benefits

National Social Security Authority Scheme

The Association and all employees must contribute to the National Social Security Authority (NSSA) statutory pension and benefits scheme, which is a defined contribution scheme.

This scheme was promulgated under the National Social Security Act of 1989. The Association's obligation under the scheme is limited to specific contributions as legislated from time to time, which are presently three point five per cent (4.5%) of pensionable emoluments.

4.13 Taxation

No provision has been made for taxation as the Association is exempt from income tax.

4.14 Related party transactions

For the purposes of these financial statements, a party is considered to be related to the Association if:

The party has the ability, directly or indirectly through one or more intermediaries, to control the Association or exercise significant influence over the Association in making financial and operating policy decisions, or has joint control over the Association;

The Association and the party are subject to common control;

4.14.1 The party is an associate of the Association or a joint venture in which the Association is a venturer;

4.14.2 The party is a member of key management personnel of the Association or the Association's parent, or a close family member of such an individual, or is an entity under the control, joint control or significant influence of such individuals;

4.14.3 The party is a close family member of a party referred to in 4.14.4 or is an entity under the control, joint control or significant influence of such individuals;

4.14.4 The party is a post-employment benefit plan which is for the benefit of employees of the Association or of any entity that is a related party of the Association; or

4.14.4 Close family members of an individual are those family members who may be expected to influence, or be influenced by, that individual in their dealings with the entity.

Notes to the financial statements
for the year ended 30 June 2024 (continued)

	2024 ZWG	2023 ZWG
5 Subscriptions		
Annual subscriptions	1 640 893	27 369
New subscriptions	215 279	15 157
	1 856 172	42 526
6 Other income		
Sundry income	118 786	13 503
Econet insurance	100 695	4 227
Saleable stocks	9 905	290
Profit on disposal of shares	77 089	-
100 years celebration	275 973	-
Donations	21 112	199
Rental income	929 267	22 137
Gain on foreign currency exchange	333 792	629 025
Fair value gain on investments	1 086 696	73 639
	2 953 315	743 020
7 Membership		
Consul Commissions	74 860	3 875
Breakdown and Car Unlocking	206 272	7 805
Legal Services	72 876	292
	354 008	11 972
8 Damages		
Damage to members' vehicle	19 815	-
9 Publication		
Free issues maps and periodical maps	5 724	142
10 Cost of sales		
Cost of sales - saleables	16 326	100
Cost of sales - technical reports	94	-
Cost of sales - IDPS	679 905	20 805
	696 325	20 905

Notes to the financial statements
for the year ended 30 June 2024 (continued)

	Note	2024 ZWG	2023 ZWG
11 Administrative expenses			
Supplier registration		1 339	37
Licensing		13 690	53
General expense		15 672	78
Miscelleneous		814	578
Promotion and advertising		197 841	12 550
Sponsoring/donations		38 580	275
Motor vehicle expenses - fuel		1 224 561	34 079
Motor vehicles expenses - repairs		1 625 156	54 464
Zinara toll fees		85 688	1 532
Property and equipment, inventory and intangible assets written off		-	2 571
Travelling expenses		114 532	2 393
Fia/ Acta conference		121 241	5 144
Printing & stationery		356 113	10 261
Insurance - other		97 671	1 718
Motor traders insurance		9 425	500
Audit fees		47 128	7 123
Bank charges		314 139	13 018
Ecocash charges		-	1 812
Swipe charges		30 591	1 103
Computer general expenses		705 911	20 998
Website expenses		41 674	-
Equipment maintenance		3 363	181
Computer internet		171 508	16 087
Board and finance meetings		310 589	347
Annual general meeting		91 342	1 447
Property expenses		670 192	36 783
Postages fees		47 837	2 657
Telecommunication		55 143	8 104
Staff costs - direct	11.1	6 652 909	272 062
Staff costs - indirect	11.2	1 185 765	55 142
Annivessary		816 462	11 369
Directors fees		563 675	28 017
Loss on disposal of shares		-	2 454
Asset revaluation fees		-	10 889
Masvingo rentals		24 411	687
		15 634 962	616 513

Notes to the financial statements
for the year ended 30 June 2024 (continued)

	2024 ZWG	2023 ZWG
11.1 Staff costs		
Salaries	5 133 132	214 780
Annual bonus	223 075	1 961
CILL	1 394	1 960
Overtime	-	4
PPC- pension	1 083	2 307
NECAZ	1 405	-
NSSA	960	986
Holiday grant	12 884	289
Medical aid & other benefits	730 349	34 577
Funeral policy	92 540	2 211
NEC	216	9
Airtime	339	-
Fuel allowance	47 225	-
Bus fare	407 540	11 899
Mandate levy	767	1 079
	6 652 909	272 062
11.2 Other staff costs		
Contract workers	73 729	5 475
Staff uniform	21 567	9 626
Refreshments and teas	789 146	25 428
Staff training/development	48 459	2 982
Chairman's fund	542	5 199
Accommodation	72 020	-
Settlement of labour issues	407	69
Commercial workers union of Zimbabwe	-	9
Travel and subsistence allowance	11 053	-
Seminar	93 033	-
Sitting allowance	75 809	6 354
	1 185 765	55 142

Notes to the financial statements
for the year ended 30 June 2024 (continued)

12 Property and equipment

	Land and buildings ZWG	Motor vehicles ZWG	Furniture and Fittings ZWG	Office Equipment ZWG	Total ZWG
Year ended 30 June 2023					
Opening carrying amount	58 977	6 234	1 217	3 563	69 991
Disposal/scrapped off	-	(148)	(164)	(1 163)	(1 475)
Additions	-	1 245	454	1 234	2 933
Revaluation gain	5 017 848	516 965	66 815	199 469	5 801 097
Depreciation for the year	(2 516)	(2 745)	(188)	(1 245)	(6 694)
Closing carrying amount	5 074 309	521 551	68 134	201 858	5 865 852
Year ended 30 June 2023					
Cost/Valuation	5 076 825	524 296	68 322	203 103	5 872 546
Accumulated Depreciation	(2 516)	(2 745)	(188)	(1 245)	(6 694)
Closing Carrying Amount	5 074 309	521 551	68 134	201 858	5 865 852
Year ended 30 June 2024					
Opening carrying amount	5 074 309	521 551	68 134	201 858	5 865 852
Additions		1 036 893	72 854	114 649	1 224 396
Disposal/scrapped off	-	(13 209)	-	-	(13 209)
Depreciation for the year	(162 645)	(309 959)	(10 451)	(48 750)	(531 805)
Closing carrying amount	4 911 664	1 235 276	130 537	267 757	6 545 234
At 30 June 2024					
Cost/valuation	5 074 309	1 543 126	140 988	316 507	7 074 930
Accumulated depreciation	(162 645)	(307 850)	(10 451)	(48 750)	(529 696)
Closing carrying amount	4 911 664	1 235 276	130 537	267 757	6 545 234

Notes to the financial statements
for the year ended 30 June 2024 (continued)

13 Intangible assets

	Virtual Private Network ZWG	Website ZWG	CRM software ZWG	Evolution Software ZWG	Total ZWG
Year ended 30 June 2023					
Opening carrying amount	320	184	-	1 883	2 387
Additions	301	-	1 058	1 704	3 063
Revaluation gain	-	-	-	28 244	28 244
Amortisation for the year	-	-	-	(1 196)	(1 196)
Closing carrying amount	621	184	1 058	30 635	32 498
At 30 June 2023					
Cost/valuation	621	184	1 058	31 831	33 694
Accumulated amortisation	-	-	-	(1 196)	(1 196)
	621	184	1 058	30 635	32 498
Year ended 30 June 2024					
Opening carrying amount	621	184	1 058	30 635	32 498
Additions	-	-	31 192	-	31 192
Amortisation for the year	-	-	-	(10 212)	(10 212)
Closing carrying amount	621	184	32 250	20 423	53 478
At 30 June 2024					
Cost/valuation	621	184	32 250	31 831	64 886
Accumulated amortisation	-	-	-	(11 408)	(11 408)
Closing carrying amount	621	184	32 250	20 423	53 478

Notes to the financial statements
for the year ended 30 June 2024 (continued)

	2024 ZWG	2023 ZWG
14 Investment in subsidiary- Rock Runner (Private) Limited		
Opening balance	4 170 847	50 859
Fair value gain	-	4 119 988
Closing balance	4 170 847	4 170 847

Rock Runner (Private) Limited is owned 100% by Automobile Association of Zimbabwe. The investment is in a building held for long term rental yields.

	2024 ZWG	2023 ZWG
15 Inventory		
Stock saleable	3 472	3 845
Stock stationery	1 961	1 495
Stocks IDP	25 030	22 094
Fuel inventories	27 294	5 327
	57 757	32 761
16 Listed equity investments		
Opening balance	81 578	10 393
Additions	110 056	12 006
Fair value adjustment	1 086 696	73 639
Disposal	(24 900)	(14 460)
Closing balance	1 253 430	81 578
16.1 Listed equity investments		
Delta Corporation Limited	938 374	81 572
Simbisa Brands Limited	203 775	6
Econet	111 281	-
	1 253 430	81 578

Notes to the financial statements
for the year ended 30 June 2024 (continued)

	2024 ZWG	2023 ZWG
17 Trade and other receivables		
Trade receivables	453 516	14 217
Allowance for credit losses	(28 555)	(1 247)
	424 961	12 970
Other receivables		
Sundry debtors	-	8 494
Staff loans	78 748	4 836
	78 748	13 330
	503 709	26 300

17.1 Credit risk analysis

The expected credit loss for trade receivables as at 30 June 2024 and 30 June 2023 was determined as follows:

30 June 2024

	Current ZWG	30days ZWG	60 days ZWG	90 days ZWG	More than 120 days ZWG	Total ZWG
Expected credit loss rate	4%	10%	10%	13%	14%	
Gross carrying amount	286 341	9 773	155 861	1 541	-	453 516
Lifetime expected loss	11 791	977	15 586	200	-	28 555

30 June 2023

	Current ZWG	30days ZWG	60days ZWG	90 days ZWG	More than 120 days ZWG	Total ZWG
Expected credit loss rate	4%	10%	10%	13%	14%	
Gross carrying amount	5 694	2 727	1 284	2 137	2 375	14 217
Lifetime expected loss	234	273	128	278	334	1 247

Notes to the financial statements
for the year ended 30 June 2024 (continued)

	2024 ZWG	2023 ZWG
17 Trade and other receivables (continued)		
17.2 Reconciliation of allowance for credit los:		
Opening balance	1 247	61
Movement during the year	27 308	1 186
Closing balance	28 555	1 247
18 Cash and cash equivalents		
Cash at bank	1 591 315	805 401
Cash on hand	-	8
	1 591 315	805 409
19 Trade and other payables		
Trade	126 790	11 449
Other	245 261	61 533
	372 051	72 982
20 Deferred income		
Balance at 1 July	105 361	10 832
Amounts received	1 733 800	105 361
Charge to statement of income and expenditure	(105 361)	(10 832)
	1 733 800	105 361

The deferred income amounts relate to annual subscription amounts paid in advance by the Association's members.

	2024 ZWG	2023 ZWG
21 Changes in working capital:		
Increase in inventory	(24 996)	(23 858)
Increase in trade and other receivables	(477 409)	(3 577)
Increase in trade and other paybles	299 069	44 013
Increase in deferred income	1 628 439	94 529
	1 425 103	111 107

Notes to the financial statements
for the year ended 30 June 2024 (continued)

22 Events after the reporting date

No adjusting or significant non-adjusting events have occurred between the 30 June 2024 reporting date and the date of authorisation of the financial statements.

23 Going concern assessment

The Association assesses its going concern status at each reporting date. Going concern assessment is an area involving management's judgement on the Association's future revenue, cash flows and the country's economic conditions. The Directors have satisfied themselves that the Association is in a sound financial position and has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they are satisfied that it is appropriate to adopt the going concern basis in preparing the financial statements.

24 Pending investigation of Board fees.

The Association is currently undergoing an investigation related to the payments of board fees. The investigation was directed by the members of the Association due to allegations of mismanagement of funds by the previous board members. As the outcome of the ivestigation is still pending, we have not accounted for the potential financial impact, if any, on the Associate's financial statements. Management and the Board have taken a decision to finalise the financial statements of the Association to avoid further delays to the release thereof. The results of the investigation have not yet been made available to management and the Board of the Association.