DEPOSIT PROTECTION CORPORATION

Financial statements for the year ended 31 December 2014

DEPOSIT PROTECTION CORPORATION
FINANCIAL STATEMENTS
for the year ended 31 December 2014

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CORPORATION INFORMATION

Incorporated in Zimbabwe

DIRECTORS	Mahlahla S. (Acting Chairman) Dhliwayo C. Nyakabau C. Takavarasha M. Nyemba V.
MANAGEMENT	Chikura JM (Chief Executive Officer) Chingosho MM (Finance and Administration Director) Vuma V (Corporation Secretary and Legal Counsel) Chirozva G (Business Operations Director)
COMPANY SECRETARY	Vuma V
REGISTERED OFFICE	Evelyn House, 26 Five Avenue/Cnr Blakiston Street Harare
BANKERS	Commercial Bank of Zimbabwe
LAWYERS	Chihambakwe, Mutizwa and Partners
AUDITORS	Deloitte & Touche

DIRECTORS' RESPONSIBILITY FOR FINANCIAL REPORTING

The Directors of the Corporation are responsible for the maintenance of adequate accounting records and preparation of the financial statements and related information. The Corporation's independent external auditors, Deloitte & Touche, have audited the financial statements and their report appears on page 6. The external auditors are responsible for independently auditing and reporting on these financial statements in conformity with International Standards on Auditing.

The Directors are required by the Deposit Protection Corporation Act (Chapter 24:29) to maintain adequate accounting records and to prepare financial statements for each financial year which present a true and fair view of the state of affairs of the Corporation at the end of the financial period and of the performance and cash flows for the period.

The financial statements have been prepared in accordance with International Financial Reporting Standards.

The Directors are responsible for the Corporation's systems of internal control. These are designed to provide reasonable but not absolute assurance as to the reliability of the financial statements, and to safeguard, verify and maintain accountability of assets, and to prevent and detect material misstatements and losses. The systems are implemented and monitored by suitably trained personnel with an appropriate segregation of authority and duties. Nothing has come to the attention of the Directors to indicate that any material breakdown in the functioning of these controls, procedures and systems has occurred during the year under review.

The annual financial statements are prepared on the going concern basis; this has been assessed as appropriate. The Directors however believe that under the current economic environment a continuous assessment of the ability of the Corporation to continue as a going concern will be performed.

The annual financial statements set out on pages 7 to 32 were approved by the Board of Directors on 30 November 2015 and are signed on its behalf by :-

V. Vuma	**S. Mahlahla**	**C. Dhliwayo**
Company Secretary	**Acting Chairman**	**Director**

DEPOSIT PROTECTION CORPORATION
FINANCIAL STATEMENTS
for the year ended 31 December 2014

DIRECTORS' REPORT

The Directors submit their report for the year ended 31 December 2014 and the audited financial statements for the same period.

Nature of business

The Deposit Protection Corporation is governed by the Deposit Protection Act, (Chapter 24:29). The Deposit Protection Corporation aims at meeting a number of objectives that include:

- Protecting small, less-financially sophisticated depositors by providing an orderly means of compensation in the event of a deposit-taking institution becoming insolvent;
- Enhancing public confidence and systemic stability by providing a framework for the resolution of failed banks;
- Enhancing competition in the financial sector by mitigating some of the competitive barriers in the deposit taking industry; and,
- Helping in defining the boundaries of the Government exposure and support in protecting depositors when a bank or the Corporation of banks fails in normal times.

Directorate

There have been no changes in the composition of the Corporation's board.

Auditors

The auditors, Messrs. Deloitte & Touche, have indicated their willingness to continue in office. However, reappointment and fixing of their remuneration for the past year will be at the discretion of the office of the Comptroller Auditor General on whose behalf the audit is performed.

By order of the Board
V. Vuma

Company Secretary
Harare, Zimbabwe
30 November 2015

REPORT OF THE INDEPENDENT AUDITORS
TO THE MEMBERS OF DEPOSIT PROTECTION CORPORATION

We have audited the accompanying financial statements of the Deposit Protection Corporation on pages 7 to 32, which comprise the statement of financial position, statement of profit or loss and other comprehensive income at 31 December 2014, the statement of changes in accumulated funds and the statement of cash flows for the year then ended, and the notes to the financial statements, which include a summary of significant accounting policies and other explanatory notes.

Directors' Responsibility for the Financial Statements

The Directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards (IFRS) and in the manner required by the Deposit Protection Corporation Act (Chapter 24:29). This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor’s judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity’s preparation and fair presentation of the financial statements 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 entity’s internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects the financial position of the Deposit Protection Corporation as at 31 December 2014, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards and in the manner required by the Deposit Protection Corporation Act (Chapter 24:29).

Emphasis of matter

Without qualifying our opinion, we draw your attention to Note 4.4 and Note 14.4 of the financial statements which describe management’s judgment and application of the Deposit Protection Act (Chaper 24:29) relating to the recognition and recoverability of the penalties charges on late remittance of premiums.

DELOITTE & TOUCHE
Harare, Zimbabwe

DEPOSIT PROTECTION CORPORATION
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
for the year ended 31 December 2014

	Notes	2014 US$	2013 US$
Revenue			
Premium income		7 569 638	10 866 348
Investment income	7	741 822	166 051
Other income	8	20 977	2 050 238
Total income		8 332 437	13 082 637
Expenses			
Operating expenses	9	(2 984 228)	(2 593 937)
Protection payments	19	(8 433 943)	(328 516)
Provision for doubtful debts		(1 681 519)	-
Profit on disposal of property plant and equipment		13 382	152
Finance costs	10	(56 791)	(52 704)
Surplus for the year		(4 810 662)	10 107 632
Other comprehensive income		-	-
Total comprehensive income for the year		(4 810 662)	10 107 632

DEPOSIT PROTECTION CORPORATION
STATEMENT OF FINANCIAL POSITION
as at 31 December 2014

	Notes	2014 US$	2013 US$
ASSETS			
Non-current assets			
Property, vehicles and equipment	12	1 308 616	1 023 812
Current assets			
Other financial assets	13	10 706 507	3 411 334
Trade and other receivables	14	4 344 454	8 408 146
Cash and cash equivalents	15	70 525	352 947
Total current assets		15 121 486	12 172 427
Total assets		**16 430 102**	**13 196 239**
RESERVES AND LIABILITIES			
Reserves			
Accumulated fund		7 184 853	11 995 515
Non-distributable reserve		138 196	138 196
Total equity		**7 323 049**	12 133 711
Non-current liabilities			
Long term borrowings	16	-	242 937
Current liabilities			
Trade and other payables	18	191 979	224 656
Provision for protection payments	19	8 781 920	531 668
Current portion of long term borrowings	16	-	63 267
Finance lease liability	17	133 154	-
Total current liabilities		9 107 053	819 591
Total reserves and liabilities		**16 430 102**	**13 196 239**

V. Vuma
Corporation Secretary

Dr. S. Mahlahla
Acting Chairman

Dr. C. Dhliwayo
Director

Harare, Zimbabwe
30 November 2015

DEPOSIT PROTECTION CORPORATION
STATEMENT OF CHANGES IN ACCUMULATED FUNDS
for the year ended 31 December 2014

	Accumulated fund US$	Non-distributable reserve US$	Total US$
Balance at 31 December 2012	1 887 883	138 196	2 026 079
Total comprehensive income for the year	10 107 632	-	10 107 632
Balance at 31 December 2013	11 995 515	138 196	12 133 711
Total comprehensive income for the year	(4 810 662)	-	(4 810 662)
Balance at 31 December 2014	**7 184 853**	**138 196**	**7 323 049**

DEPOSIT PROTECTION CORPORATION
STATEMENT OF CASHFLOWS
for the year ended 31 December 2014

	Notes	2014 US$	2013 US$
Cash flows from operating activities			
Surplus for the year		(4 810 662)	10 107 632
Adjustments for:			
Depreciation	12	109 046	60 328
Profit on disposal of property, vehicles and equipment		(13 382)	(152)
Finance costs recognized in profit or loss		56 791	52 704
Accrued interest income on investments	13	(73 827)	(34 455)
Protection payments provision	19	8 433 943	328 516
Provision for doubtful debts		1 681 519	-
		5 383 428	10 514 574
Movements in working capital:			
Increase in trade and other receivables		2 453 833	(7 312 280)
Increase in trade and other payables		(32 677)	117 549
Cash generated from operations		7 804 584	3 319 842
Interest paid		(56 791)	(52 704))
Protection payments	19	(183 691)	(289 775)
Net cash generated by operating activities		7 564 102	2 977 363
Cash flows from investing activities			
Property, vehicles and equipment additions: expansion	12	393 852	(97 252)
Investment in financial assets	13	(7 293 006)	(2 548 116)
Proceeds from disposal of property, vehicles and equipment		13 384	277
Net cash used in investing activities		7 673 474	2 645 091
Cash flows from financing activities			
			-
Repayment of borrowings		(173 050)	(63 267)
Net cash flows from financing activities		(173 050)	(63 267)
Net increase in cash and cash equivalents		(282 422)	269 005
Cash and cash equivalents at the beginning of the year		352 947	83 492
Cash and cash equivalents at the end of the year	15	70 525	352 947

1. General information

The Deposit Protection Corporation (the 'Corporation') was established by the Reserve Bank of Zimbabwe on behalf of the Government of Zimbabwe to lessen the impact on the public when banks, building societies and other financial institutions become insolvent or collapse.

The Corporation is incorporated and domiciled in Zimbabwe.

The financial statements are expressed in the United States of America dollars ("US$").

2. Statement of compliance

The Corporation's financial statements have been prepared in accordance with International Financial Reporting Standards, (IFRS) and the International Financial Reporting Interpretations Committee, (IFRIC) interpretations. The financial statements are based on statutory records that are maintained under the historical cost convention as modified by the revaluation of property and equipment and financial instruments that are measured at fair values, as explained in accounting policies below.

3. Basis of preparation

The financial statements are prepared on the historical cost basis except for certain financial instruments and liabilities that are stated at fair value. Significant details of the Corporation's accounting policies are set out below and are consistent with those applied in the previous year, except where otherwise indicated.

The financial statements are in compliance with International Financial Reporting Standards (IFRS) and the Deposit Protection Corporation Act (Chapter 24:29).

4. Critical accounting estimates and judgements

In preparing the annual financial statements in terms of IFRS, management is required to make certain estimates and assumptions that may materially affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reported period and the related disclosures. The actual results often vary from these estimates due to the inherent uncertainty involved in making estimates and assumptions concerning future events. These estimates and judgments are based on historical experience, current and expected future economic conditions and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

As the estimates are reviewed on a regular basis, any changes to these accounting estimates are recognized in the period in which the estimate is revised, if it impacts on only the current period. If the revision of the estimate impacts on both the current and future periods, then the change in estimate is recognized in the current and future periods.

Critical accounting judgments

The following accounting policies have been identified as being particularly complex or involving subjective judgments or assessments:

4. Critical accounting estimates and judgements (continued)

4.1 Useful lives of property, plant and equipment

The Corporation's management determines the estimated useful lives and related depreciation charges for its property and equipment. This estimate is based on projected product life cycle of these assets. It could change significantly as a result of technological innovations in response to severe industry cycles. Management will increase the depreciation charge where useful lives are less than previously estimated lives, or will write off or write down technically obsolete or non-strategic assets that have been abandoned or sold. The current year estimated useful lives were as follows:

Buildings	20 - 40 years
Furniture and fittings	10 years
Computers and office equipment	7 years
Vehicles	5 years

4.2 Provision for protection payments

The provision for protection payments represents the present value of the Directors best estimate of the future outflow of economic benefits that will be required under the Corporation's obligations as set out in the Deposit Protection Corporation Act. Management annually assesses the performance of the banks using the CAMELS rating system. The estimate of the exposure is based on the number of a depositors of distressed institutions at the end of the year. Distressed banks on the Central banks watch list with a CAMELS rating of 4 and above were provided for.

4.3 Provision for protection payments

During the year, the Corporation's management considered the recoverability of outstanding premiums from troubled banks. The provision is based on the balances outstanding at year end. Management has determined that the recoverability of the amounts from troubled banks is uncertain, thus the amounts have been provided for in full.

4.4 Penalties on late payments

The carrying amount of trade and other receivables includes a sum of $1 984 124 relating to penalty interest that was charged against a number of banks in 2013 for delays in remitting premiums. The penalty was levied in terms of the Deposit Protection Corporation Act {Chapter 24:29}, Section 29 (5) and (6) and also in terms of Deposit Protection Regulations, Section 4 (4). These amounts have not yet been received from the banks as they are disputing the levying of the penalties. The Board will soon engage the parent Ministry in order to expedite recovery. No impairment losses against these has been recognized. No penalties for late payments of premiums were recognized in the current year.

5. New accounting policies adopted

5.1 Accounting standards and interpretations adopted impacting the annual financial statements

The Corporation did not adopt any new or revised accounting standards or interpretations in the current year that would have had an impact on the amounts or disclosures reported in these financial statements.

5.2 New and revised IFRSs mandatorily effective at the end of the reporting period with no material effect on the reported amounts and disclosures in the current period or prior period.

The following new or revised IFRSs were mandatorily effective and adopted by the Corporation as at the end of the reporting period, but did not have a material effect on the current or previously reported financial performance or financial position.

5. New accounting policies adopted (continued)

New and revised IFRSs mandatorily effective at the end of the reporting period with no material effect on the reported amounts and disclosures in the current period or prior period (contimued)

IFRS 10 – *Consolidated Financial Statements*	Amendments that relate specifically to investment entities.*Effective for annual periods beginning on or after 1 January 2014*
IFRS 12 – Disclosures of Interests in Other Entities	Amendments that relate specifically to investment entities. *Effective for annual periods beginning on or after 1 January 2014.*
IAS 19 Employee Benefits	Amendments clarifying the requirements that relate to how contributions from employees or third parties that are linked to service should be attributed to periods of service. *Effective for annual periods beginning on or after 1 January 2014.*
IAS 32 *Financial Instruments: Presentation*	Amendments to application guidance on the offsetting of financial assets and financial liabilities. *Effective for annual periods beginning on or after 1 January 2014.*
IAS 36 *Intangible Assets*	Amendments arising from recoverable amount disclosures to non-financial assets. *Effective for annual periods beginning on or after 1 January 2014.*
IAS 39 Financial Instruments: Recognition and Disclosure	Amendments to novations of derivatives. *Effective for annual periods beginning on or after 1 January 2014.*
Annual Improvements (2010 to 2013 Cycle)	Deals with minor amendments to IFRS 2, IFRS 3, IFRS 8, IFRS 13, IAS 16, IAS 24 and IAS 38. Deals with minor amendments to IFRS 1, IFRS 3 and IFRS 13,
IFRIC 21 *Levies*	Provides guidance on when to recognise a liability for a levy imposed by a government.

5. New accounting policies adopted (continued)

5.3 Impact of standards and interpretations in issue but not yet effective

At the reporting date, the following new and/or revised accounting standards and interpretations were in issue but not yet effective:

IFRS 9 – Financial Instruments: Classification and Measurement	The standard is set to replace the current IAS 39. *Issued November 2009, Effective date: Annual periods beginning on or after 1 January 2015 (mandatory application date amended December 2011.*
IFRS 10 – Consolidated Financial Statements	Amendments regarding the sale or contribution of assets between an investor and its associate or joint venture and amendments regarding the application of the consolidation exception.
IFRS 11 - Joint Arrangements	The amendment deals with the accounting for acquisitions of an interest in a joint operation.
IFRS 12 - Disclosure of Interests in Other Entities	The amendments relate to the application of the consolidation exception.
IFRS 14 - Regulatory Deferral Accounts	The standard permits an entity who is a first-time adopter of International Financial Reporting Standards to continue to account, with some limited changes, for 'regulatory deferral account balances' in accordance with its previous GAAP.
IFRS 15 - Revenue from Contracts with Customers	The standard is set to replace IAS 18.
IAS 16 - Property, Plant and Equipment	The separate amendments relates to the clarification of acceptable methods of depreciation, and bringing bearer plants into the scope of the standard
IAS 27 – Separate Financial Statements	The amendment reinstates the equity method as an accounting option for investments in subsidiaries, joint ventures and associates in an entity's separate financial statements.
IAS 28 – Investment in Associates and Joint Ventures	Amendments regarding the sale or contribution of assets between an investor and its associate or joint venture and amendments regarding the application of the consolidation exception.
IAS 38 – Intangible Assets	The amendment relates to the clarification of acceptable methods of amortisation and depreciation.
IAS 41 – Agriculture	The amendment brings bearer plants into the scope of IAS 16.

5. New accounting policies adopted (continued)

5.3 Impact of standards and interpretations in issue but not yet effective (continued)

Annual Improvements (2012 to 2014 Cycle)	Deals with amendments to IFRS 5, IFRS 7, IAS 19, and IAS 34.

The Directors of the Corporation have assessed the amendments and new standards and do not believe that the adoption of these will have a material impact on the financial results or disclosures of the Company.

6. Significant accounting policies

6.1 Property, Vehicles & Equipment

Property, vehicles and equipment are stated at their revalued amounts, being the fair value at the date of revaluation, less any subsequent accumulated depreciation and subsequent accumulated losses. Revaluations are performed with sufficient regularity such that the carrying amounts do not differ materially from those that would be determined using fair values at the end of each reporting period.

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

Depreciation is calculated on the straight line method to allocate the cost of each asset, to their residual values over their estimated useful lives as follows:

Buildings	20 - 40 years
Furniture and fittings	10 years
Computers and office equipment	7 years
Vehicles	5 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in profit or loss.

Impairment
An impairment review of property, vehicles and equipment is carried out when there is an indication that these may be impaired by comparing the carrying amount thereof to its recoverable amount. The Corporation’s operations as a whole constitute the smallest cash-generating unit.

Impairment (continued)
The recoverable amount thereof is the Corporation’s market capitalisation adjusted for the carrying amounts of financial assets that are tested for impairment separately. Where the recoverable amount is less than the carrying amount, the impairment charge is included in other net expenditure in order to reduce the carrying amount of property, plant and equipment to its recoverable amount. The adjusted carrying amount is depreciated on a straight-line basis over the remaining useful life of property and equipment.

6. Significant accounting policies (continued)

6.2 Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of services in the ordinary course of the Corporation's activities.

The Corporation recognizes revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of the Corporation's activities as described below.

6.2.1 Premium income

Premium income is recognized in the accounting period in which it accrues. Premiums are received in arrears.

6.2.2 Interest income

Interest income is recognized on a time-proportion basis using the effective interest method. When a receivable is impaired, the Corporation 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 is recognized using the original effective interest rate.

6.3 Cash and cash equivalents

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

6.4 Trade and other payables

Trade and other payables are obligations to pay for goods or services that have been acquired in the ordinary course of business. 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 payables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method.

6.5 Provisions

A provision is recognised when the Corporation has a present obligation (legal or constructive) as a result of a past event for which it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When 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 (when the effect of the time value of money is material).

6.5.1 Onerous contracts

Present obligations arising under onerous contracts are recognised and measured as provisions. An onerous contract is considered to exist where the Corporation has a contract under which unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received from the contract.

6. Significant accounting policies (continued)

6.6 Leases

Assets held under a finance lease arrangement are capitalised as property, plant and equipment at the fair value of the leased asset at inception of the lease, or if lower, at the present value of minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position.

Finance lease payments are apportioned between finance costs and the reduction in the lease obligation, using the effective interest method.

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the pattern in which economic benefits from leased assets are consumed.

6.7 Taxation

The Corporation is domiciled in Zimbabwe. Under the current laws of Zimbabwe there is no income, estate, corporation, capital gains or other taxes payable by the Corporation. This is with exception of value added tax ("VAT") and Corporation's employees Pay As You Earn ("PAYE") which are due and payable when applicable.

6.8 Financial instruments

A financial instrument is a contract that gives rise to a financial asset of one entity and a financial liability or equity instrument in another entity. The Corporation's financial instruments consist primarily of the following financial assets: non-current receivables, cash and cash equivalents, trade and other receivables; other current financial assets; and the following financial liabilities: borrowings, trade and other payables, and certain derivative instruments.

Fair value
Where financial instruments are recognised at fair value, the instruments are measured at the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction. Fair values have been determined as follows:

- Where market prices are available, these have been used.
- Where there are no market prices available, fair values have been determined using valuation techniques incorporating observable market inputs or discounting expected cash flows at market rates.

The fair value of the trade and other receivables, cash and cash equivalents, and trade and other payables approximates their carrying amount due to the short maturity period of these instruments.

Effective interest method
The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income or expense over the period of the instrument.

Effectively, this method determines the rate that exactly discounts the estimated future cash payments or receipts through the expected life of the financial instrument or, if appropriate, a shorter period, to the net carrying amount of the financial asset or liability.

6. Significant accounting policies (continued)

6.8 Financial instruments (continued)

Financial assets
The Corporation classifies financial assets into the following categories:

- At fair value through profit or loss (FVTPL).
- Loans and receivables.
- Held-to-maturity (HTM).
- Available-for-sale (AFS).

The classification of the financial assets is dependent on the purpose and characteristics of the particular financial assets and is determined at the date of initial recognition. Management reassesses the classification of financial assets on a bi-annual basis.

Financial assets at fair value through profit or loss (FVTPL)
Financial assets are classified as at FVTPL when the asset is either held-for-trading or is a derivative that does not satisfy the criteria for hedge accounting or is designated at FVTPL.
A financial asset is designated at FVTPL on initial recognition if this designation provides more useful information because:

- it eliminates or significantly reduces a measurement or recognition inconsistency (i.e. an accounting mismatch); or
- the financial asset is part of a group of financial assets, financial liabilities or both, that is managed and its performance evaluated on a fair value basis in accordance with a documented risk/investment management strategy, and information regarding this grouping is reported internally to key management on this basis.

In addition, if a contract contains one or more embedded derivatives, the entire contract can be designated at FVTPL.

Financial assets at FVTPL are recognized at fair value. Any subsequent gains or losses are recognized in profit or loss.

Financial assets classified as held-for-trading comprise the foreign forward exchange contracts which are not designated as hedges in terms of IAS 39 – Financial Instruments: Recognition and Measurement.

Loans and receivables
Financial assets that are non-derivative with fixed or determinable payments that are not quoted in an active market are classified as ‘loans and receivables’.

Loans and receivables are measured at amortized cost using the effective interest method. Any subsequent impairment is included in the determination of other net income/expenditure.

Loans, trade and other receivables, and cash and cash equivalents with short-term maturities have been classified as ‘loans and receivables’. Loans and receivables are considered as current if their maturity is within a year, otherwise they are reflected in non-current assets.

6. Significant accounting policies (continued)

6.8 Financial instruments (continued)

Held-to-maturity (HTM)
Non-derivative financial assets with fixed or determinable payments and fixed maturities that the Corporation has an intention and ability to hold to maturity are classified as held-to-maturity.

These financial assets are measured at amortised cost using the effective interest method. Any subsequent impairment, where the carrying amount falls below the recoverable amount, is included in the determination of other net income/expenditure.

The Corporation held no HTM instruments during the period or at year end.

Available-for-sale (AFS)
Other non-derivative financial assets are classified as AFS which are initially recognised at fair value. Any subsequent gains or losses are recognised directly in other comprehensive income, unless there is objective evidence and the fair value has declined below cost less accumulated impairments. On disposal or impairment of the financial asset, all cumulative unrecognised gains or losses, which were previously reflected in equity, are included in profit or loss for the period.

Impairment
Financial assets that are not held-for-trading or designated at FVTPL are assessed for objective evidence of impairment at the reporting date (e.g. evidence that the Corporation will not be able to collect all the amounts due according to the original terms of the receivable). If such evidence exists, the impairment for financial assets at amortised cost is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.

The carrying amount of these financial assets, with the exception of trade receivables, is reduced by the impairment. Trade receivables are reduced through an allowance account, with movements in the allowance account included in the determination of net income/expenditure.

If a decline in fair value has been recognized in equity in respect of an AFS instrument and there is objective evidence that the asset is impaired, then the cumulative loss recognized in equity is reversed from equity and reflected in profit or loss even if the financial asset has not been derecognized. An impairment loss recognized on an investment in an equity instrument classified as AFS is not reversed through profit or loss. However, for any other AFS instruments, if in a subsequent period the fair value increases and the increase can be objectively linked to an event occurring after the impairment loss was recognized in profit or loss, the impairment loss is reversed, with the reversal reflected in profit or loss.

Classification between debt and equity
Debt and equity instruments are classified according to the substance of the contractual arrangements and the definitions of a financial liability and equity instrument.

Equity instruments
An equity instrument represents a contract that evidences a residual interest in the net assets of the Corporation after deducting its liabilities. Equity instruments issued by the Corporation are recorded at the proceeds received, net of direct issue costs.

Financial liabilities
Financial liabilities are classified as either financial liabilities at FVTPL or other financial liabilities.

6. Significant accounting policies (continued)

6.8 Financial instruments (continued)

Financial liabilities at FVTPL
Financial liabilities are classified as at FVTPL when the liability is either incurred for trading or is a derivative that does not satisfy the criteria for hedge accounting or is designated at FVTPL. A financial liability is designated at FVTPL on initial recognition if this designation provides more useful information because:

- it eliminates or significantly reduces a measurement or recognition inconsistency (i.e. an accounting mismatch); or
- the financial liability forms part of a group of financial assets, financial liabilities or both, that is managed and its performance evaluated on a fair value basis in accordance with a documented risk/investment management strategy, and information regarding this grouping is reported internally to key management on this basis.

In addition, if a contract contains one or more embedded derivatives, the entire contract can be designated at FVTPL.

Financial liabilities at FVTPL are recognized at fair value. Any subsequent gains or losses are recognized in profit or loss.

Financial liabilities which have been designated at FVTPL consist of trade creditors due in respect of purchase of concentrate. The reason for this designation is that these liabilities due to the third parties are based on concentrate purchased from them which is only priced three months into the future. The pricing is thus dependent on commodity and exchange rate movements in the interim period. Consequently, the liability is initially reflected at fair value. This liability is then re-measured on a monthly basis based on the movement in the forward curves of commodity prices and exchange rates. Any gains/losses on the re-measurements are reflected in cost of sales.

Financial liabilities which are regarded as held-for-trading comprise the foreign forward exchange contracts which have not been designated as hedges.

Other financial liabilities
Other financial liabilities are recorded initially at the fair value of the consideration received, which is cost net of any issue costs associated with the borrowing. These liabilities are subsequently measured at amortised cost, using the effective interest method. Amortised cost is calculated taking into account any issue costs and any discount or premium on settlement.

Borrowings, obligations under finance leases and trade and other payables have been classified as other financial liabilities.

Loan commitments
Loan commitments provided at below market interest rates are measured at initial recognition at their fair values and if not designated at FVTPL, are subsequently measured at the higher of:

- the amount of the obligation in terms of the contract as determined in accordance with IAS 37 *(Provisions, Contingent Liabilities and Contingent Assets)*; or
- the amount initially recognised less the cumulative amortisation recognised in accordance with IAS 18 – Revenue.

6. Significant accounting policies (continued)

6.9 Foreign currencies

The United States dollar (USD) is the functional currency of the Corporation. Foreign currency transactions are recorded at the spot rate of exchange on the transaction date. At the end of the period, monetary assets and liabilities denominated in foreign currencies are translated at rates of exchange ruling at the reporting date. Non-monetary assets and liabilities carried at fair value are translated at the rate of exchange ruling at the date of determining the fair value. Non-monetary items that are denominated in foreign currencies and measured at historical cost are not retranslated. Foreign exchange differences arising on monetary items are reflected in profit or loss except in limited circumstances.

The financial position of the Corporation's foreign operations is translated into USD, using the exchange rate ruling at the end of the reporting period. Income and expenses are translated at the average exchange rates for the period. If the exchange rates fluctuate significantly, then the items are translated at the exchange rates ruling at the date of the transaction. All resulting exchange differences on the Corporation's foreign operations are recognized in other comprehensive income.

6.10 Borrowing costs

Borrowing costs are charged to interest paid. When borrowings are utilized to fund qualifying capital expenditure, such borrowing costs are capitalized in the period in which the capital expenditure and related borrowing costs are incurred.

6.11 Employee Benefits

6.11.1 Short-term employee benefits
Remuneration paid to employees in respect of services rendered during a reporting period is recognized as an expense in that reporting period. Accruals are made for accumulated leave and are measured at the amount that the Corporation expects to pay when the leave is used.

6.11.2 Termination benefits
Termination benefits are charged against income when the Corporation is demonstrably committed to terminating the employment of an employee or Corporation of employees before their normal retirement date.

6.11.3 Post-employment benefits

Defined contribution plans

Retirement, provident and pension fund contributions to defined contribution plans in respect of services rendered during a reporting period are recognised as an expense in that period.

7. Investment income

	2014 US$	2013 US$
Interest income:		
Bank deposits	-	27 431
Available for sale investments	741 822	138 620
	741 822	166 051

8. Other income

	2014 US$	2013 US$
Interest on staff loans	15 429	11 697
Sundry income	5 548	2 038 541
	20 977	2 050 238

9. Operating expenses

Included in profit or loss for the year are the following items:

	2014 US$	2013 US$
Administration expenses:		
- Utilities	27 599	17 074
- Cell phone charges and internet services	17 162	15 714
- Other administration expenses	353 637	187 548
Staff costs (note 9.1)	2 083 218	2 049 328
Other expenses:		
- Board fees	38 200	25 880
- Audit fees	37 318	25 000
- Depreciation	109 046	60 328
- Consultancy fees	16 298	15 737
- Foreign travel	239 518	144 055
- Subscriptions to professional organizations	19 620	17 196
- Repairs and maintenance	34 620	23 153
- Liquidation expenses	7 992	12 924
	2 984 228	2 593 937

9.1 Staff costs

	2014 US$	2013 US$
Salaries and other short-term employee benefits	1 957 568	1 937 579
National Social Security Authority cost	18 879	16 808
Pension costs	106 771	94 941
	2 083 218	2 049 328

10. Finance costs

	2014 US$	2013 US$
Finance lease charges	30 539	-
Mortgage interest	26 252	52 704
	56 791	52 704

11. Pension fund

Contributions are made to the following funds by both employees and the Corporation:

The Deposit Protection Corporation Pension Fund

The pension fund to which all permanent employees and the Corporation contribute to is a defined contribution plan which is administered by Old Mutual Zimbabwe. This fund is subject to the Pension and Provident Funds Act (Chapter 24:09). Contributions by the Corporation amount to 12% and those by employees amount to 6% of pensionable emoluments.

National Social Security Authority

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

The Corporation's contributions to both funds were:

	2014 US$	2013 US$
Pension fund	106 771	94 941
National Social Security Authority	18 879	16 808
	125 650	111 749

12 PROPERTY, VEHICLES AND EQUIPMENT

Year ended 31 December 2014	Vehicles US$	Office equipment US$	Computer equipment US$	Furniture and fittings US$	Buildings US$	Total US$
Deemed cost at 1 January 2014	37 919	12 396	55 089	47 469	870 939	1 023 812
Additions	336 402	7 780	33 488	14 031	2 151	393 852
Disposals	(2)	-	-	-	-	(2)
Depreciation charge	(45 152)	(5 951)	(25 996)	(6 747)	(25 200)	(109 046)
Net book value	**329 167**	**14 225**	**62 581**	**54 753**	**847 890**	**1 308 616**
At 31 December 2014						
Cost	396 043	37 408	134 791	100 066	921 632	1 589 939
Accumulated depreciation	(66 876)	(23 183)	(72 210)	(45 312)	(73 742)	(281 323)
Net book value	**329 167**	**14 225**	**62 581**	**54 753**	**847 890**	**1 308 616**

There is no impairment of assets required from an assessment performed at the reporting date. Included in property, plant and equipment are motor vehicles with a carrying amount of $297 523 (2013: nil) under a finance lease arrangement.

12 PROPERTY, VEHICLES AND EQUIPMENT

Year ended 31 December 2013	**Vehicles US$**	**Office equipment US$**	**Computer equipment US$**	**Furniture and fittings US$**	**Buildings US$**	**Total US$**
Deemed cost at 1 January 2013	714	7 953	42 437	39 796	896 113	987 013
Additions	40 641	8 748	33 434	14 429	-	97 252
Disposals	-	-	(117)	(8)	-	(125)
Depreciation charge	(3 436)	(4 305)	(20 665)	(6 748)	(25 174)	(60 328)
Net book value	37 919	12 396	55 089	47 469	870 939	1 023 812
At 31 December 2013						
Cost	95 610	29 628	101 303	86 034	919 481	1 232 056
Accumulated depreciation	(57 691)	(17 232)	(46 214)	(38 565)	(48 542)	(208 244)
Net book value	37 919	12 396	55 089	47 469	870 939	1 023 812

There is no impairment of assets required from an assessment performed at the reporting date.

13. Financial assets

	2014 US$	2013 US$
At 1 January	3 411 334	828 763
Additions	7 293 006	2 548 116
Accrued interest	73 827	34 455
Impairment loss recognized	(71 660)	-
At 31 December	10 706 507	3 411 334

Analysis of financial assets:

	2014 US$	2013 US$
Financial assets carried at fair value through profit or loss (FVTPL)		
Non-derivative financial assets designated as at FVTPL (i)	10 706 507	3 236 357
Held to maturity investments carried at amortized cost		
Bills of exchange (ii)	71 660	174 977
Impairment loss recognized	(71 660)	-
	10 706 507	3 411 334

(i) The Corporation holds unit trusts through Old Mutual in the Equity Fund and Money Market Gross Fund. These have been measured at fair value at the reporting date.

(ii) The Corporation holds a bill of exchange at a rate of 10% with Allied Bank. The deal has a maturity date of 6 months from the end of the reporting period and has been impaired in full.

14. Trade and other receivables

	2014 US$	2013 US$
Trade receivables	5 655 378	8 180 144
Other receivables	298 935	228 002
Impairment loss recognized	(1 609 859)	-
	4 344 454	8 408 146

There we no impairment allowances for the year ended 2013.

14.1 Age of receivables that are past due but not impaired

	2014	2013
Receivables are as follows:		
Less than 30 days	1 839 574	4 740 143
Between 31 – 90 days	2 530	1 223 406
Greater than 90 days	2 203 415	2 216 595
	4 045 519	8 180 144

14. Trade and other receivables (continued)

14.2 Movement in allowance for doubtful debts

	2014 US$	2013 US$
Balance at the beginning of the year	-	-
Impairment losses recognized	1 609 859	-
Balance at the end of the year	1 609 859	-

During the year, the Corporation management considered the recoverability of outstanding premiums from troubled banks. The provision is based on the balances outstanding at year end. Management have determined that the recoverability of the amounts from troubled banks is uncertain, thus the amounts have been provided for in full.

Included in the allowance for doubtful debts are receivables amounting to US$ 760 096 (2013: nil) which have been placed under liquidation. The impairment recognized is the carrying amount of these receivables as the expected proceeds from liquidation are uncertain and likely to be immaterial.

14.3 Age on impaired trade receivables

	2014 US$	2013 US$
Less than 30 days	102 483	-
Between 31 – 90 days	154 175	-
Greater than 90 days	1 353 201	-
	1 609 859	-

Other receivables are due within twelve months from the reporting date.

The maximum exposure to credit risk at the reporting date is the fair value of receivables mentioned above. The Corporation does not hold any collateral as security.

14.4 The carrying amount of trade and other receivables includes a sum of $1 984 124 relating to penalty interest that was charged against a number of banks in 2013 for delays in remitting premiums. The penalty was levied in terms of the Deposit Protection Corporation Act (Chapter 24:29), Section 29 (5) and (6) and also in terms of Deposit Protection Regulations, Section 4 (4). The Corporation will soon engage the parent Ministry in order to expedite recovery. No impairment losses have been recognized in respect in respect of these penalties.

15. Cash and cash equivalents

	2014 US$	2013 US$
Cash on hand	2 332	814
Cash at bank	68 193	352 133
	70 525	352 947

16. Borrowings

	2014 US$	2013 US$
Bank loan		
- Non - current portion	-	242 937
- Current portion	-	63 267

17. Finance lease liability

	Minimum lease Payments	PV of minimum lease payments
Not later than one year	(137 400)	(133 154)
Not later than one year and not later than 5 years	-	-
Later than 5 years	-	-
	(137 400)	(133 154)
Less: future finance charges	4 246	-
Present value of minimum lease payments	(133 154)	(133 154)

Leasing arrangement

During the year, the Corporation leased certain of its motor vehicles under a finance lease. The Corporation will purchase the vehicles at a nominal value at the end of the lease period. The lease term is 1 year.

Interest rates underlying obligations under the finance lease arrangement are fixed at the contract date at 18% per annum. The effect of discounting is not material.

18. Trade and other payables

	2014 US$	2013 US$
Leave pay provision	112 733	125 244
Other accruals	79 246	99 412
	191 979	224 656

The carrying amount of trade and other payables approximate fair value.

19. Provision for protection payments

	2014	2013
	US$	US$
Opening balance	531 668	492 927
Current year provision	8 433 943	328 516
Payments	(183 691)	(289 775)
Closing balance	8 781 920	531 668

The provision for protection payments represents the present value of the Directors best estimate of the future outflow of economic benefits that will be required under the Corporation's obligations as set out in the Deposit Protection Corporation Act. Management annually assesses the performance of the banks using the CAMELS rating system. The estimate of the exposure is based on the number of depositors of distressed institutions at the end of the year. Distressed banks on the Reserve Bank Watch List with CAMELS rating of 4 and 5 were provided for.

20. Related party transactions

Key management compensation shown below:

	2014	2013
	US$	US$
Salaries and other short-term employee benefits	883 670	942 120
Defined contribution plan	46 840	45 189
	930 510	987 309

The Corporation has provided several of its key management personnel with short-term loans at a rate of 6%. Further information has been set out below:

	2014	2013
	US$	US$
Loans to key management	64 687	155 669

21. Financial instruments

21.1 Significant accounting policies

Details of significant accounting policies, including the recognition criteria, the basis for measurement and the basis on which income and expenses are recognised, in respect of each category of financial asset, financial liability and equity instrument are disclosed under the note in accounting policies.

21.2 Categories of financial instruments

	2014	2013
	US$	US$
Financial assets		
Cash and bank balances	70 525	352 947
Fair value through profit or loss (FVTPL)		
Designated as at FVTPL	10 706 507	3 236 357
Held to maturity investments	-	174 977
Loans and receivables	4 293 870	8 408 146
Financial liabilities		
Trade and other payables	191 979	224 656
Borrowings	-	306 204

Finance lease liability	133 154	-

21. Financial instruments (continued)

21.3 Interest rate risk

The Corporation is exposed to interest rate risk because the Corporation borrows funds at both fixed and floating interest rates.

The Corporation's exposures to interest rates on financial assets and financial liabilities are detailed in the liquidity risk management section of this note

21.4 Liquidity risk

Liquidity risk is the risk that the Corporation will be unable to meet a financial commitment in any location or currency. This risk is minimized through the holding of cash balances and financial assets (refer to note 14). In addition, detailed cash flow forecasts are regularly prepared and reviewed by management. The cash needs of the Corporation are managed according to its requirements.

21. Financial instruments (continued)

21.4 Liquidity risk (continued)

The following table details the Corporation's remaining contractual maturity for its financial liabilities. The table has been compiled based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Corporation can be required to repay the liability. The cash flows include both the principal and interest payments. The adjustment column includes the possible future cash flows attributable to the financial instrument which are not included in the carrying value of the financial liability at reporting date.

	Weighted average Effective interest Rate	Less than 12 months	1 to 5 years	+ 5 years	Total
		US$	US$	US$	US$
Non derivative financial instruments					
2014					
Interest bearing borrowings	18%	133 154	-	-	133 154
Trade and other payables	N/A	191 979	-	-	191 979
		325 133	-	-	325 133
2013					
Interest bearing borrowings	9.20%	67 366	238 838	-	306 204
Trade and other payables	N/A	224 656	-	-	224 656
		292 022	238 838	-	530 860

21 Financial instruments (continued)

21.5 Credit risk

Potential concentrations of credit risk consist primarily of short term cash investments and accounts receivable. Credit risk arises from the risk that a counter party may default or not meet its obligations timeously. The Corporation minimizes credit risk by ensuring that counterparties are banking institutions of the highest quality, that appropriate credit limits are in place for each counter party and that short term cash investments are spread amongst a number of different counterparties. Banking counterparty limits are reviewed annually by the Board.

The carrying amount of the financial assets represents the Corporation's maximum exposure to credit risk without taking into consideration any collateral provided:

Maximum credit risk

	2014 US$	2013 US$
Financial assets and other credit exposures		
Other financial assets	10 706 507	3 411 334
Trade and other receivables	4 293 870	8 408 146
Cash and cash balance	70 525	352 947
	15 060 812	12 172 427

22. Going concern

The Directors have assessed the ability of the Corporation to continue operating as a going concern and believe that the preparation of these financial statements on a going concern basis is still appropriate. However, the Directors believe that under the current economic environment a continuous assessment of the ability of the Corporation 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.

22. Events after the reporting period

In January 2015, Allied bank voluntarily surrendered it’s license to the Reserve Bank of Zimbabwe. The Corporation was appointed as provisional liquidator of the bank. Provision for protection payments in respect of the bank’s depositors was subsequently adjusted for.