DEPOSIT PROTECTION CORPORATION

Financial statements for the year ended 31 December 2013

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FINANCIAL STATEMENTS
for the year ended 31 December 2013

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CORPORATION INFORMATION

Incorporated in Zimbabwe

DIRECTORS	Mahlahla S. (Acting Chairman) Dhliwayo C. Nyakabau C. Takavarasha M.
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 pages 6-7. 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 8 to 34 were approved by the Board of Directors on 31 July 2014 and are signed on its behalf by :-

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

DIRECTORS' REPORT

The Directors submit their report for the year ended 31 December 2013 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

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Company Secretary
Harare, Zimbabwe
31 July 2014

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 8 to 34, which comprise the statement of financial position, statement of profit or loss and other comprehensive income at 31 December 2013, 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 2013, 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).

DELOITTE & TOUCHE
Harare, Zimbabwe
31 July 2014

DEPOSIT PROTECTION CORPORATION
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
for the year ended 31 December 2013

	Notes	2013 US$	2012 US$
Revenue			
Premium income		10 866 348	2 463 683
Investment income	7	166 051	57 627
Other income	8	2 050 238	31 113
Total income		13 082 637	2 552 423
Expenses			
Operating expenses	9	(2 593 937)	(1 979 195)
Protection payments		(328 516)	(499 827)
Profit/(loss) on disposal of property plant and equipment		152	(6 729)
Finance costs		(52 704)	(40 494)
Surplus for the year		10 107 632	26 178
Other comprehensive income		-	-
Total comprehensive income for the year		10 107 632	26 178

DEPOSIT PROTECTION CORPORATION
STATEMENT OF FINANCIAL POSITION
as at 31 December 2013

	Notes	2013 US$	2012 US$
ASSETS			
Non-current assets			
Property, vehicles and equipment	12	1 023 812	987 013
Current assets			
Other financial assets	13	3 411 334	828 763
Trade and other receivables	14	8 408 146	1 095 866
Cash and cash equivalents	15	352 947	83 942
Total current assets		12 172 427	2 008 571
Total assets		**13 196 239**	**2 995 584**
RESERVES AND LIABILITIES			
Reserves			
Accumulated fund		11 995 515	1 887 833
Non-distributable reserve		138 196	138 196
Total equity		12 133 711	1 974 240
Non-current liabilities			
Long term borrowings	16	242 937	306 204
Current liabilities			
Trade and other payables	17	224 656	107 107
Provision for protection payments	18	531 668	492 927
Current portion of long term borrowings	16	63 267	63 267
Total current liabilities		819 591	651 873
Total reserves and liabilities		**13 196 239**	**2 995 584**

V. Vuma
Corporation Secretary

Dr. S. Mahlahla
Acting Chairman

Dr. C. Dhliwayo
Director

Harare, Zimbabwe
31 July 2014

DEPOSIT PROTECTION CORPORATION
STATEMENT OF CHANGES IN ACCUMULATED FUNDS
for the year ended 31 December 2013

	Accumulated fund US$	Non-distributable reserve US$	Total US$
Balance at 31 December 2011	1 861 705	138 196	1 999 901
Total comprehensive income for the year	26 178	-	26 178
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

DEPOSIT PROTECTION CORPORATION
STATEMENT OF CASHFLOWS
for the year ended 31 December 2013

	Notes	2013 US$	2012 US$
Cash flows from operating activities			
Surplus for the year		10 107 632	26 178
Adjustments for:			
Depreciation	12	60 328	56 523
(Profit)/loss on disposal of property, vehicles and equipment		(152)	6 729
Finance costs recognized in profit or loss		52 704	40 494
Accrued interest income on investments		(34 455)	(10 788)
Protection payments provision		328 516	492 927
		10 514 574	612 063
Movements in working capital:			
Increase in trade and other receivables		(7 312 280)	(39 134)
Increase in trade and other payables		117 549	46 855
Cash generated from operations		3 319 842	619 784
Interest paid		(52 704)	(40 494)
Protection payments		(289 775)	-
Net cash generated by operating activities		2 977 363	579 290
Cash flows from investing activities			
Property, vehicles and equipment additions: expansion	12	(97 252)	(160 821)
Investment in financial assets		(2 548 116)	(817 975)
Proceeds from disposal of property, vehicles and equipment		277	-
Net cash used in investing activities		332 272	(399 506)
Cash flows from financing activities			
Proceeds from borrowings		-	369 471
Decrease in borrowings		(63 267)	-
Net increase in cash and cash equivalents		269 005	(30 035)
Cash and cash equivalents at the beginning of the year		83 492	113 977
Cash and cash equivalents at the end of the year	15	352 947	83 492

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:

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

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. New accounting policies adopted (continued)

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.

Amendments to IFRS7 *Disclosures* – Transfers of Financial Assets	The amendments increase the disclosure requirements for transactions involving the transfer of financial assets in order to provide greater transparency around risk exposures when financial assets are transferred.
Amendments to IAS 1 *Presentation of Items of Other Comprehensive Income*	The amendments introduce new terminology for the statement of comprehensive income and income statement. Under the amendments to IAS 1, the 'statement of comprehensive income' is renamed the 'statement of profit or loss and other comprehensive income and the 'income statement' is renamed the 'statement of profit or loss'
Amendments to IAS 1 *Presentation of Financial Statements* (as part of the Annual Improvements of IFRSs 2009 – 2011 Cycle issued in May 2012)	IAS 1 requires an entity that changes accounting policies retrospectively, or makes a retrospective restatement or reclassification to present a statement of financial position as at the beginning of the preceding period (third statement of financial position). The amendments to IAS 1 clarify that an entity is required to present a third statement of financial position only when the retrospective application, restatement or classification has a material effect on the information in the third statement of financial position and that related notes are not required to a Corporation the third statement of financial position.
Amendments to IAS 12 *Deferred tax: Recovery of Underlying Assets*	Under the amendments, investment properties that are measured using the fair value model in accordance with IAS 40 Investment Property are presumed to be recovered entirely through sale for the purposes of measuring deferred taxes unless the presumption is rebutted.

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:

5. New accounting policies adopted (continued)

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

IFRS 10 – *Consolidated Financial Statements*	IFRS 10 replaces the parts of IAS 27 *Consolidated and Separate Financial Statements* that deals with consolidated financial statements. SIC-12 Consolidation – Special Purpose Entities will be withdrawn upon the effective date of IFRS 10. Under IFRS 10, there is only one basis for consolidation, that is, control. In addition, IFRS 10 includes a new addition of control that contains three elements: (a) power over an investee, (b) exposure, or rights to variable returns from its involvement with the investee, and (c) the ability to use its power over the investee to affect the amount of the investor's return. *Issued May 2011, Effective date: Annual periods beginning on or after 1 January 2013.*
IFRS 9 – Financial Instruments: Classification and Measurement	All recognised financial assets that are within the scope of IAS 39 Financial Instruments: Recognition and Measurement to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. In addition, under IFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss. With regard to the measurement of financial liabilities designated as at fair value through profit or loss, IFRS 9 requires that the amount of change in the fair value of the financial liability, that is attributable to changes in the credit risk of that liability, is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk is other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Previously, under IAS 39, the entire amount of the charge in the fair value of the financial liability designated as fair value through profit or loss was presented in profit or loss. *Issued November 2009, Effective date: Annual periods beginning on or after 1 January 2015.*

5. New accounting policies adopted (continued)

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

IFRS 11 – Joint Arrangements	IFRS 11 replaces IAS 31 Interests in Joint Ventures. IFRS 11 deals with how a joint arrangement of which two or more parties have joint control should be classified. SIC- 13 Jointly Controlled Entities – Non monetary Contributions by Venturers will be withdrawn upon the effective date of IFRS 11. Under IFRS 11, joint arrangements are classified as joint operations or joint ventures, depending on the rights and obligations of the parties to the arrangements. In contrast, under IAS 31, there are three types of joint arrangements: jointly controlled entities, jointly controlled assets and jointly controlled operations. In addition, joint ventures under IFRS 11 are required to be accounted for using the equity method of accounting, whereas jointly controlled entities under IAS 31 can be accounted for using the equity method of accounting or proportional consolidation. *Issued May 2011, Effective date: Annual periods beginning on or after 1 January 2013.*
IFRS 12 – *Disclosures of Interests in Other Entities*	IFRS 12 is a disclosure standard and is applicable to entities that have interests in subsidiaries, joint arrangements, associates and/or unconsolidated structured entities. In general, the disclosure requirements in IFRS 12 are more extensive than those in the current standards. *Issued May 2011, Effective date: Annual periods beginning on or after 1 January 2013*
IFRS 13- Fair Value Measurement	IFRS 13 establishes a single source of guidance for fair value measurements and disclosures about fair value measurements. The Standard defines fair value, establishes a framework for measuring fair value, and requires disclosures about fair value measurements. The scope of IFRS 13 is broad; it applies to both financial instrument items and non-financial instrument items for which other IFRSs require or permit fair value measurements and disclosures about fair value measurements, except in specified circumstances. In general, the disclosure requirements in IFRS 13 are more extensive than those required in the current standards. Issued May 2011, Effective date: Annual periods beginning on or after 1 January 2013.

5. New accounting policies adopted (continued)

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

Amendments to IFRS 7 – Disclosures – Offsetting Financial Assets and Financial Liabilities	The amendments to IFRS 7 require entities to disclose information about rights of offset and related arrangements (such as collateral posting requirements) for financial instruments under an enforceable master netting agreement or similar arrangement. *Issued October 2010, Effective date: Annual periods beginning on or after 1 January 2013.*
Amendments to IAS 32 - Offsetting Financial Assets and Financial Liabilities	The amendments to IAS 32 clarify the existing application issues relating to the offset of financial assets and financial liabilities requirements. Specifically, the amendments clarify the meaning of 'currently has a legal enforceable right of set-off' and 'simultaneous realisation and settlement' *Issued October 2010, Effective date: Annual periods beginning on or after 1 January 2014*
Amendments to IAS 19 – Employee Benefits	The amendments to IAS 19 change the accounting for defined benefit plans and termination benefits. The most significant change relates to the accounting for changes in defined benefit obligations and in fair value of plan assets when they occur, and hence eliminate the 'corridor approach' permitted under the previous version of IAS 19 and accelerate the recognition of past service costs. The amendments require all actuarial gains and losses to be recognised immediately through other comprehensive income in order for the net pension asset pension or liability recognised in the consolidated statement of financial position to reflect the full value of the plan deficit or surplus. Furthermore, the interest cost and expected return on plan assets used in the previous version of IAS 19 are replaced with a 'net-interest' amount, which is calculated by applying the discount rate to the net defined benefit liability or asset. *Issued June 2011, Effective date: Annual periods beginning on or after 1 January 2013*
Amendments to IAS 16 – Property plant and Equipment	The amendments to IAS 16 clarify that spare parts, stand-by equipment and servicing equipment should be classified as property, plant and equipment when they meet the definition of property, plant and equipment in IAS 16 and as inventory otherwise.

5. New accounting policies adopted (continued)

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

Amendments to IAS 32 – Financial Instruments – Presentation	The amendments to IAS 32 clarify that income tax relating to distributions to holders of any equity instrument and to transactions costs of an equity transaction should be accounted for in accordance with IAS 12 Income Taxes. Issued December 2011, Effective date: Annual periods beginning on or after 1 January 2014.

The Corporation is in the process of assessing the impact of IFRS 9 and the amended IAS 19. The Corporation has assessed the remaining amendments and new standards and does not believe that the adoption of these will have a material impact on the financial results or disclosures of the Corporation.

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.

6. Significant accounting policies (continued)

6.1 Property, Vehicles & Equipment (continued)

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.

6.2 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. Significant accounting policies (continued)

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.

6.6 Leases

A finance lease transfers substantially all the risks and rewards of ownership of an asset to the Corporation. Assets subject to finance leases are capitalised as property, plant and equipment at the fair value of the leased asset at inception of the lease, with the related lease obligation recognised at the same amount. Capitalised leased assets are depreciated over their estimated useful lives.

Finance lease payments are allocated between finance costs and the capital repayments, using the effective interest method

Minimum lease payments on operating leases are charged against operating profit on a straight-line basis over the lease term.

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. Significant accounting policies (continued)

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.

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 biannual basis.

6. Significant accounting policies (continued)

6.8 Financial instruments (continued)

Financial assets at fair value through profit or loss (FVTPL) (continued)
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 which have been designated at FVTPL consist of trade receivables due in respect of sale of concentrate. The reason for this designation is that the receivables due from the third parties are based on concentrate sold to them which is only priced three months into the future. The pricing is therefore dependent on commodity and exchange rate movements in the interim period. Consequently, the receivables are initially reflected at fair value. This receivable is then remeasured on a monthly basis based on the movement in the forward curves of commodity prices and exchange rates. Any gains/losses on these remeasurements are reflected in revenue.

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.

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.

6. Significant accounting policies (continued)

6.8 Financial instruments (continued)

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 entered into.

Equity instruments
An equity instrument represents a contract that evidences a residual interest in the net assets of the Corporation. 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 funds
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

	2013 US$	2012 US$
Interest income:		
Bank deposits	27 431	24 525
Available for sale investments	138 620	33 102
	166 051	57 627

8. Other income

	2013 US$	2012 US$
Interest on staff loans	11 697	14 743
Sundry income	2 038 541	16 370
	2 050 238	31 113

9. Operating expenses

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

	2013 US$	2012 US$
Administration expenses:		
- Utilities	17 074	18 026
- Cell phone charges and internet services	15 714	15 014
- Other administration expenses	187 548	149 988
Staff costs (note 9.1)	2 049 328	1 443 953
Operating lease payments (note 10)	-	34 738
Other expenses:		
- Board fees	25 880	25 268
- Audit fees: statutory audit	25 000	21 505
2011 under provision	-	20 125
- Depreciation	60 328	56 523
- Consultancy fees	15 737	11 034
- Foreign travel	144 055	138 216
- Subscriptions to professional organizations	17 196	16 534
- Repairs and maintenance	23 153	28 271
- Liquidation expenses	12 924	-
	2 593 937	1 979 195

9.1 Staff costs

	2013 US$	2012 US$
Salaries and other short-term employee benefits	1 937 579	1 373 934
National Social Security Authority cost	16 808	8 461
Pension costs	94 941	61 558
	2 049 328	1 443 953

10. Operating lease payments

The Deposit Protection Corporation lease of premises from Mining Industry Pension Fund was terminated on 31 May 2012. Lease payments for 2012 were $34 738.

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:

	2013 US$	2012 US$
Pension fund	94 941	61 558
National Social Security Authority	16 808	8 461
	111 749	70 019

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.

12 PROPERTY, VEHICLES AND EQUIPMENT

Year ended 31 December 2012	Vehicles US$	Office equipment US$	Computer equipment US$	Furniture and fittings US$	Buildings US$	Total US$
Deemed cost at 1 January 2012	8 942	997	28 881	10 624	840 000	889 444
Additions	-	8 275	34 406	38 659	79 481	160 821
Disposals	-	-	(6 681)	(48)	-	(6 729)
Depreciation charge	(8 228)	(1 319)	(14 169)	(9 439)	(23 368)	(56 523)
Net book value	714	7 953	42 437	39 796	896 113	987 013
At 31 December 2012						
Cost	54 969	20 880	70 857	71 811	919 481	1 137 998
Accumulated depreciation	(54 255)	(12 927)	(28 420)	(32 015)	(23 368)	(150 985)
Net book value	714	7 953	42 437	39 797	896 113	987 013

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

13. Financial assets

	2013 US$	2012 US$
At 1 January	828 763	
Additions	2 548 116	817 995
Accrued interest	34 455	10 788
At 31 December	3 411 334	828 763

Analysis of financial assets:

	2013 US$	2012 US$
Financial assets carried at fair value through profit or loss (FVTPL)		
Non-derivative financial assets designated as at FVTPL (i)	3 236 357	665 262
Held to maturity investments carried at amortized cost		
Bills of exchange (ii)	174 977	163 461
	3 411 334	828 763

(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 bills of exchange at a rate of 11% with the Commercial Bank of Zimbabwe (CBZ) and 10% with Zimbabwe Allied Banking Group (ZABG). The deals have maturity dates ranging from 3 to 6 months from the end of the reporting period. None of these assets had been past due or impaired at the end of the reporting period.

14. Trade and other receivables

	2013 US$	2012 US$
Trade receivables	8 180 144	837 421
Other receivables	228 002	258 445
	8 408 146	1 095 866

There we no impairment allowances for the year ended 2013.

<u>Age of receivables that are past due but not impaired</u>

	2013	2012
Receivables are as follows:		
Less than 30 days	4 740 143	634 710
Between 31 – 90 days	1 223 406	46 509
Greater than 90 days	2 216 595	156 202
	8 180 144	837 421

14. Trade and other receivables (continued)

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.

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

15. Cash and cash equivalents

	2013 US$	2012 US$
Cash on hand	814	375
Cash at bank	352 133	83 567
	352 947	83 942

16. Borrowings

	2013 US$	2012 US$
Bank loan		
- Non - current portion	242 937	306 204
- Current portion	63 267	63 267

Borrowings are secured by a mortgage over the Corporation's building. The borrowings are from the Commercial Bank of Zimbabwe (CBZ), repayable in equal instalments over a five year period. The weighted average effective interest rate on the bank loan is 9.20% per annum.

17. Trade and other payables

	2013 US$	2012 US$
Leave pay provision	125 244	82 781
Other accruals	99 412	24 326
	224 656	107 107

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

18. Provisions

	2013 US$	2012 US$
Opening balance	492 927	-
Current year provision	328 516	492 927
Payments	(289 775)	-
Closing balance	531 668	492 927

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. The estimate has been made on the basis of the number of depositors in Royal Bank and Genesis as at the reporting date.

19. Related party transactions

Key management compensation shown below:

	2013 US$	2012 US$
Salaries and other short-term employee benefits	942 120	778 212
Defined contribution plan	45 189	32 563
	987 309	810 775

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:

	2013 US$	2012 US$
Loans to key management	155 669	172 941

20. Financial instruments

20.1 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.

20.2 Categories of financial instruments

	2013 US$	2012 US$
Financial assets		
Cash and bank balances	352 947	83 942
Fair value through profit or loss (FVTPL)		
Designated as at FVTPL	3 236 357	665 262
Held to maturity investments	174 977	163 461
Loans and receivables	8 408 146	1 095 866
Financial liabilities		
Trade and other payables	224 656	107 107
Borrowings	306 204	369 471

20. Financial instruments (continued)

20.3 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

20.4 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.

20. Financial instruments (continued)

20.4 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					
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
2012					
Interest bearing borrowings	9.20%	63 399	306 092	-	369 471
Trade and other payables	N/A	107 107	-	-	107 107
		170 506	306 092	-476	578

20. Financial instruments (continued)

20.5 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	
	2013 US$	2012 US$
Financial assets and other credit exposures		
Other financial assets	3 411 334	828 763
Trade and other receivables	8 408 146	1 095 866
Cash and cash balance	352 947	83 942
	12 172 427	2 008 571

21. 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.