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ANNUAL REPORT

31 DECEMBER 2015

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VISION, MISSION STATEMENT AND VALUES



VISION

To reduce non-performing loans in the banking sector to below 5%.

MISSION

We exist to acquire, manage, restructure and dispose Non Performing Loans of banks in Zimbabwe in order to realise maximum value for all Stakeholders.

VALUES

Integrity
Innovation
Teamwork
Accountability
Decisiveness

CHAIRMAN'S STATEMENT



Bartholomew Mswaka – Chairman of the Board

Bartholomew Mswaka – Chairman of the Board
I am pleased to present to you the first Annual Report of Zimbabwe Asset Management Corporation (Private) Limited ('ZAMCO'). This Annual Report chronicles ZAMCO's first year's work – a year of considerable activity and achievement.

As the very first Report that we are presenting, I believe it is useful to briefly chronicle the background of ZAMCO.

What is ZAMCO?

ZAMCO is a Special Purpose Vehicle which was set up by the Reserve Bank of Zimbabwe in 2014 after realising that there was an urgent need to address and resolve the crisis of rising Non-Performing Loans (NPLs) in the banking sector. The NPLs had risen to \$816 million in September 2014, representing an NPL ratio of 20.45%, a percentage which was significantly higher than the internationally acceptable threshold of 5%.

Upon formation, ZAMCO was tasked with a mandate of providing a workable solution to the problem of non-performing loans in the banking sector through the acquisition, restructuring, management and disposal of non-performing loans. The aim of the NPL acquisitions being ultimately to clean up and strengthen the balance sheets of the banks and enable them to focus on their financial intermediation role and assist debtor companies who were operating in a very difficult environment.

ZAMCO's strategy was and still is, that operations would essentially be conducted in three phases namely

- i. setting up phase,
- ii. acquisition phase, and
- iii. resolution phase.

Setting up phase

During the set-up phase ZAMCO focused on putting in place appropriate corporate governance structures and developing the requisite policies and procedures.

During this setting up phase, the Corporation obtained technical assistance from the International Monetary Fund to ensure that our policies and procedures are aligned with international best practices.

During this initial period, the Corporation also conducted preliminary assessments of NPLs that could be eligible for purchase across the banking sector.

Acquisition phase

As at 31 December 2015, the Corporation had acquired loans worth \$353.58 million from the participating banks and I am pleased to announce that ZAMCO is now nearing the completion of the acquisition phase. In the final quarter of 2015, along with acquisitions we started the process of engaging some debtors and restructuring their acquired liabilities by giving them more favourable repayment terms.

We anticipate that the acquisition of eligible accounts offered by banks will be completed by September 2016.

Resolution phase

Debt repayment by the debtors is imperative to enable ZAMCO to achieve its mandate of resolving the acquired NPLs.

Consequently, the bulk of the life of the Corporation will be spent in the resolution phase where energies will be devoted to recovery of debts.

Funding of operations

At inception, the RBZ provided the initial seed capital to meet the Corporation's operational expenses. I am pleased to announce that starting in November 2015, the Corporation has been able to fund its own operational expenses from generated income mainly emanating from facility fees.

Progress to Date

During the period under review NPLs in the banking sector have been reduced from a high of 20.45% in September 2014 to a more manageable 12.17% in December 2015. This can be attributed to the intervention of the Reserve Bank, collaboration with ZAMCO and improvement of the lending policies of the banks in general.

Furthermore, we aim to collect on every loan acquired. ZAMCO is merely a temporary reprieve, affording debtors a longer repayment tenure and lower interest rates, it will not assume nor write off anyone's debt. We expect and will ensure that debtors will play their part in repaying their restructured loans and should they not, ZAMCO will indeed institute recovery proceedings. We have an accredited panel of lawyers to handle this eventuality.

There is still work to be done in our economy and to address NPL challenges in banks so that they can access liquidity and get back to normal banking business, but I am confident that with collective measures implemented by the Central Bank and the banks themselves, things shall come right.

Financial Highlights

For purposes of transparency and accountability, an audit of the Corporation's financial statements was conducted by Ernst & Young Chartered Accountants.

The Corporation's financial statements are more comprehensively set out elsewhere in this report. I will however highlight that during the year of review ZAMCO recorded:-

- i) an operating surplus of US\$0.5 million
- ii) interest expense of US\$4.26 million; and
- iii) operating expenses of US\$0.5 million

Appreciation

I take this opportunity to thank our stakeholders, the Governor of the Reserve Bank, Chief Executive Officer, staff and fellow Board Members for their continued dedication to the Corporation.



Bartholomew Mswaka
Chairman

30 June 2016



Dr. Cosmas Kanhai (CEO)

CHIEF EXECUTIVE OFFICER'S STATEMENT

Genesis

Soon after incorporation in July 2014, we started work on setting up organisational structures. The Reserve Bank of Zimbabwe seconded a small number of staff during the set up phase who worked on establishing the requisite policies and procedures. This period also involved studying how other similar organisations established in other countries went about in their operations. During this set up phase, ZAMCO received technical assistance from the IMF which was meant to ensure that our operations are in line with international best practice. The setting up phase was completed by the first quarter of 2015 which meant that the Corporation was ready to embark on the next phase of operation that focuses on acquisitions.

We then recruited additional staff who were responsible for managing the loan acquisition processes. The recruited individuals have the requisite skills in key areas such as credit, finance, and real estate.

NPL Acquisitions

The Corporation adopted a phased NPL acquisition approach, with the first phase focusing on the largest loans across the banking sector. The Corporation made commendable acquisition progress during the first acquisition phase, having acquired loans amounting to \$353.58 million as at 31 December 2015.

The NPL acquisitions have been predominantly funded using long dated Treasury Bills, which means that banks that sell their NPLs to ZAMCO are given Treasury Bills as the purchase consideration. This results in banks cleaning their balance sheet by replacing a non-performing asset (NPLs) with a performing asset (TBs). The acquired NPLs have been restructured, either by reducing interest rates and extending the repayment tenure or ZAMCO converting the debt to preference shares in some of the debtor companies. This debt restructuring has given the companies breathing space by reducing finance charges, providing them opportunities for turnaround.

Reporting and Transparency

As a result of the acquisitions that have been made to date, it is evident that ZAMCO is quite a huge organisation that is surpassed by only a few companies in Zimbabwe. However, there is marked difference between ZAMCO and other corporate entities. Whilst other corporate entities start small and envisage growing bigger over time, our organisation is the opposite. The NPL acquisitions that are conducted at the beginning of the life of ZAMCO make the organisation large. Over the remaining life of ZAMCO, the Corporation will progressively get smaller as recoveries on the NPLs are used to redeem TBs used to acquire NPLs.

Due to the size of the Corporation and use of public funds, it is imperative to put in place mechanisms that ensure transparency of operations. The organization is committed to providing as much information as possible to its stakeholders and aims to achieve this by periodically issuing reports for internal use and reports for external stakeholders. Some of the measures put in place to foster transparency include issuance of annual reports as well as having our operations subjected to external auditing. We had our first external audit done by Ernst and Young Chartered Accountants for the financial year 2015 and going forward audited accounts will be provided for each and every year of operation.

Outlook

Beginning in January 2016, we began the second phase of acquisitions that focuses on all the remaining eligible NPLs offered by the banks and this process will be completed in the third quarter of 2016. After completion of the acquisition, all efforts will be devoted to resolving non-performing loans. This involves putting in place appropriate strategies that will enable recovery of

the amounts owed. The recovery rate will indeed be one of the important performance indicators for the Corporation.

Appreciation

I would therefore like to express my appreciation to the Board of Directors for the wise counsel and to the staff of ZAMCO for the excellent effort and commitment given in 2015. We have achieved a great deal in a short period of our existence because of your efforts.



Dr Cosmas Kanhai
Chief Executive Officer

30 June 2016



Report on CORPORATE GOVERNANCE

GOVERNANCE STRUCTURE

The responsibility for the governance of the Corporation lies with the Board of Directors which is ultimately accountable to the shareholder.

The Board of Directors consists of 10 (ten) members whose skill and experience spans across various sectors i.e. banking, securities, investment, asset management, pension fund management and financial regulation and industry. There are 4 non-Executive Directors and 6 Independent Non-Executive Directors and the Board is chaired by an Independent non-Executive Director, Mr Bartholomew Mswaka.

The Board has delegated the day to day management of the Corporation to the Chief Executive Officer. The Chief Executive Officer executes the powers delegated to him in accordance with agreed guidelines and is accountable to the Board for the development and implementation of the Corporation's strategies and policies.

The Board composition is as follows:

Name of Director	Status	Date of appointment
Bartholomew Mswaka	Independent Non – Executive	15 July 2014
Dr. Charity Lindile Dhlwayo	Non – Executive	15 July 2014
Norman Mataruka	Non – Executive	15 July 2014
Azvinandaa Saburi	Non – Executive	15 July 2014
Edwin Zvandasara	Non – Executive	4 February 2015
Ritesh Anand	Independent Non – Executive	26 August 2014
Sijabuliso Thabani Biyam	Independent Non – Executive	15 July 2014
Demitri Psillos	Independent Non – Executive	15 July 2014
Richard Godfrey Muirimi	Independent Non – Executive	15 July 2014
John Chikura	Independent Non – Executive	4 February 2015



Mr. Bartholomew Mswaka (Chairman)



Mr. Demitri Psillos



Dr. Charity Lindile Dhlwayo



Mr. Norman Mataruka



Mr. Azvinandawa Saburi



Mr. Sijabuliso Thabani Biyam



Mr. Edwin Maxwell Zvandasara



Mr. Richard Godfrey Muirimi



Mr. John Mafungei Chikura



Mr. Ritesh Anand

ROLE OF THE BOARD

- The Board of Directors, retains full and effective control over ZAMCO and the procedures and business of the Board of Directors are regulated by a Board Charter.
- The Board Charter sets out the terms of reference of the Board, which are:
 - a) To ensure that the functions of ZAMCO are performed effectively and efficiently;
 - b) To set strategic objectives and targets for ZAMCO and ensure that the appropriate systems and procedures are in place to achieve the said strategic targets and objectives; and,
 - c) To take all reasonable steps to achieve those targets and objectives.
- To assist with the effective execution of their duties, the Board of Directors have access to the advice and services of the Company Secretary who is responsible for ensuring compliance with procedures and regulations by the Corporation and the Board of Directors itself.
- The Directors are also entitled to seek independent professional advice on the affairs of ZAMCO, at ZAMCO's expense if they believe that such course of action is in the best interest of ZAMCO.
- The Board meets quarterly and additional meetings are convened as the need arises. In furtherance of the above roles, the Board met eleven (11) times during the period under review.

BOARD COMMITTEES

In the discharge of its roles and responsibilities, the Board is assisted by three (3) Standing Committees. These committees have their clearly defined terms of reference setting out their roles, responsibilities, functions and reporting procedures to the Board.

The Board Committees in operation during the period under review are:

- i) Credit Investments and Debt Restructuring

Committee,

- ii) Audit Committee, and
- iii) Human Resources Committee.

The roles and responsibilities of these committees are discussed below:

• CREDIT, INVESTMENT & DEBT RESTRUCTURING COMMITTEE...

The Committee supports the Board in meeting its objectives with respect to all matters relating to Credit Risk Management. The Committee further:-

- directs the formulation of policies that govern the acquisition of non-performing assets (loans) from banking institutions and ensures that these policies are followed;
- deliberates and approves/declines all NPL acquisitions, reviews and assesses the Corporation's credit risk including loan management processes.
- Establishes guidelines to meet various applicable regulatory rules and statutes pertaining to credit risk, as outlined in the Banking Act (Chapter 24:20) and Bank Regulations 2000;
- Controls the portfolio of non-performing assets held by the Corporation.
- Ensures that adequate procedures are in place for dealing with possible viable NPLs that are restructured and managed in line with the Corporation's policies and procedures.

The Committee meets at least quarterly, and additional meetings are convened as required.

The Committee is made up of the following members:

1. Mr. R. Anand (Chairman)
2. Mr. J. Psillos
3. Mr. S.T. Biyam
4. Mr. N. Mataruka
5. Mr. A. Saburi
6. Mr. B. Mswaka
7. Mr. R.G. Muirimi

• AUDIT COMMITTEE...

The Committee is responsible for, amongst other things, ascertaining whether the accounting and reporting policies of ZAMCO are in accordance with the legal requirements and agreed ethical practices, reviewing the scope and planning

of audit requirements, reviewing the findings on management matters as reported by the external auditors and departmental responses thereon, reviewing the effectiveness of ZAMCO's system of accounting and internal control, making recommendations to the Board in regards to the appointment, removal and remuneration of the external auditor and authorizing the internal auditor to carry out investigations into any activities of ZAMCO which may be of interest or concern to the Committee.

The Committee also reviews ZAMCO's annual and interim financial statements, including reviewing the effectiveness of ZAMCO's disclosure, controls and systems of internal control, the integrity of ZAMCO's financial reporting and the independence and objectivity of the external auditors. The Committee may seek additional information and explanations from the external auditors.

The Committee meets at least quarterly, and additional meetings are convened as required.

The Committee is made up of the following members:

1. Mr. J.M. Chikura - Chairman
2. Mr. E.M. Zvandasara
3. Dr. C.L. Dhliwayo
4. Mr. S.T. Biyam

• HUMAN RESOURCES COMMITTEE...

The Committee is responsible for ensuring effective human resources policies and strategies, overseeing the Corporation's recruitment process, periodically reviewing salaries and incentives for staff in order to attract and retain the services of key employees, reviewing employment agreements and severance agreements and the competitiveness of the Corporation's remuneration policies.

The Committee also oversees the Corporation's plans for management succession and development, reviews and where significant, reports to the Board best practices, trends, new technologies and current emerging public policy issues in HR matters. The Committee meets at least quarterly, and additional meetings are convened as required.

The Committee is made up of the following members:

1. Mr. B. Mswaka (Chairman)
2. Mr. A. Saburi
3. Mr. N. Mataruka
4. Mr. Anand

ATTENDANCE AT BOARD AND BOARD COMMITTEE MEETINGS

The Table below shows the frequency of meetings of the Board of Directors and Board Committees, as well as Members attendance for the financial year ended December 31, 2015

Board Member	Board	Credit, Investment & Debt Restructuring Committee	Audit Committee	Human Resources Committee
Bartholomew Mswaka	11	4		5
Dr. Charity L.Dhliwayo	10		1	
Norman Mataruka	9	4		6
Azvinandaa Saburi	9	4		6
Edwin Zvandasara	6			
Ritesh Anand	9	4		6
Sijabuliso T. Biyam	10	4	1	
Demitri J. Psillos	10	5		
Richard G. Muirimi	10	4		
John Chikura	8		1	
Total No. of Meetings Held	11	4	1	6

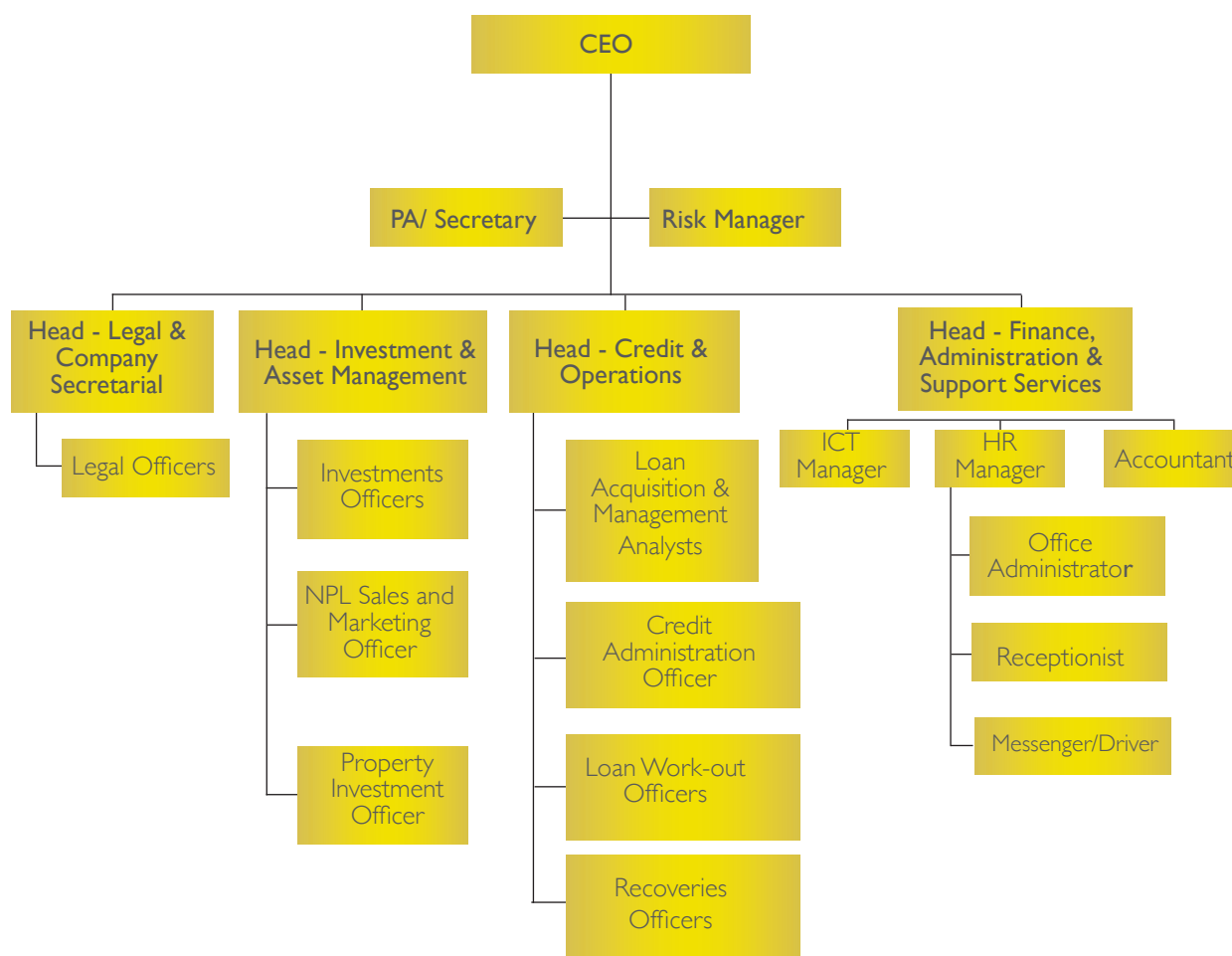
Board Member Board Credit, Investment & Debt
Restructuring Committee Audit Committee
Human Resources Committee

ZAMCO ORGANISATIONAL STRUCTURE

ZAMCO currently has a core team of 11, spread across the key departments in the Corporation which are Investments & Asset Management, Credit & Operations, Legal and Secretariat, Finance and Office Administration

ZAMCO has deliberately maintained a streamlined organizational structure with minimal hierarchy in the formative stages, and relies on the Reserve Bank for some support functions, for example ICT, Finance, Internal Audit and part of legal services. It is envisaged that ZAMCO will begin to undertake some of the outsourced functions above on its own as its capacity and capabilities in terms of funding, level of processes and operations increase.

ZAMCO will periodically review its structure and staffing levels to meet the changing requirements of its processes. The organizational structure is indicated in the diagram below.



DEPARTMENTS AND THEIR RESPONSIBILITIES

ZAMCO's operations are divided into the following departments:

Credit & Operations

The department is responsible for:

- Loan acquisition and loan management;
- Review of portfolio of NPLs offered by banks for sale.
- Collating all loan data for each debtor across all banks in order to provide ZAMCO with a complete record for each debtor prior to acquisition.
- Conduct carve-out of loan portfolio including stratification, segmentation, pooling and packaging the NPLs.
- Perform NPL data cleansing exercise and preparation of Level 1 information used to prepare expression of interests (EOIs).
- Preparing and maintaining the data room (Level 2 Information)
- Collect and maintain aggregate loan and underlying security valuations on a borrower by borrower basis.
- Conduct credit analysis and classify the acquired loan portfolio into viable and non-viable loans.
- Maintaining and updating debtors' loan records, processing receipts from debtors and transferring cash received to the concerned AMCs/IAs and reporting all transactions to the AMCs.
- Devise and document loan strategies – including restructuring and enforcement of facilities.
- Oversee the development and execution of individual loan plans.
- Identify assets for disposal, coordinate the preparation of asset information/sale documentation and facilitate the sale process.
- Evaluation of proposals and business plans of companies earmarked for restructuring and making recommendations to ZAMCO board.

Investment & Asset Management

It is the department's function to:

- Oversee the appointment of firms for outsourced services such as property valuation, fund raising, and loan portfolio management.
- Supervise the conduct of property valuation by independent professional valuers. This involves

reviewing the valuations to ensure that adequate valuation procedures have been followed and that the values determined are reasonable, among other issues.

- Conducting due diligence to establish the prices ZAMCO will pay for acquisition of loans.
- Secure access to institutional investors, private investors and other prospective asset purchasers.
- Management of ZAMCO's foreclosed property portfolio.
- Developing asset management and disposal strategies on the acquired loans. The strategies include sale of loans to investors, restructuring of obligors, and sale of collateral.
- Deal structuring and reviewing of proposals from investors or asset managers/investment advisors.
- Management of the NPL sale process including preparing information packages and bid documents, facilitating sale negotiations, carrying out bids and auctions for NPLs, and deal completion.

Legal & Secretariat

- Management of legal, tax, reputational and regulatory risk.
- Management of the legal process for the acquisition of bank assets by ZAMCO to include oversight of the legal due diligence process and management of outsourced legal services.
- Management of ZAMCO litigation.
- Management of the procurement of key services and contractual relationships with key service providers.
- Optimisation of the taxation treatment of ZAMCO activities.
- Provision of advice on foreclosure processes and disposal of assets.
- Management of ZAMCO legal documentation.

Finance

- Maintenance of General Ledger
- Preparation of Management & Year-end Accounts
- Payroll administration
- Management of cash resources
- Internal control systems development, implementation and monitoring
- Procurement process management
- Management of the audit process
- Responsible for statutory compliance
- Budget preparation, monitoring and control

Office Administration

- General office administration.
- Assists in the preparation of departmental budgets and expenses.
- Managing administrative activities involving purchase of consumables and office accessories and tracking office supply inventory.
- Managing repair, maintenance & replacement of office equipment, appliances, furniture, furnishings, etc.
- Acting as info-hub for providing administration related information and supervising administrative activities like general administration, verification of stationery stock, petty cash, courier, florist, pest control, housekeeping, etc.
- Handling inter-office correspondence, confidential mails, quotations, monthly billing, cheques, etc.

Risk

- The function of the Risk Management Unit essentially comprises the provision of general risk advisory support services to all aspects of ZAMCO's operations from loan acquisition and management, administration and other operational functions right through to asset management.

- Areas of support include, among others, credit risk, market risk, operational risk and legal risk as well as other non-tangibles such as reputational risk.
- One of the main functions of this Unit lies in its independent review of loan management and other project papers to ensure not only conformity and consistency in the application of ZAMCO's policies and, but also in ensuring that pertinent risk issues are properly highlighted and mitigated.

SERVICE PROVIDERS TO ZAMCO

ZAMCO has selected a number of service providers to provide specialist services in the execution of its mandate. Amongst these service providers are:

- 14 law firms;
- 24 property valuation firms amongst whom labour-intensive services such as valuation of properties are distributed and
- 7 licensed investment advisors/ asset management companies who will be tasked with financial advisory services, deal structuring and investment and portfolio management.

ZAMCO is also in the process of selecting system providers for a Loans Management System and a Document Management System.



BUSINESS REVIEW

I INTRODUCTION

The banking sector has a strategic role in the economy of a country. The burden of Non-performing loans on the banking sector has adverse effects on the banks, the debtors and the economy at large. The problem of Non-performing loans drags the economy in the following ways:-

- a) Disintermediation of bank system lending caused by the erosion of banks' profitability

Banks play an important role of allocating and distributing people's savings for use in most productive investment.

The Banks' intermediary function is essential for economic activity as it enhances the productivity and efficiency of the economy as a whole. If high non-performing loans continue to erode profits, it will reduce banks' net worth and lower their risk-taking capacity, making it difficult to invest more funds in risky projects and to realize potentially productive businesses.

- b) Cautious behaviour of corporations and consumers due to a decline in confidence in the financial system
- Non-performing loans can lead to bank failures and, as a result, decline in confidence in the financial system. In Zimbabwe, a number of bank failures

were a result of non-performing loans.

- c) The problem of excessive debts of firms reduces business investment

Banks decide whether or not to extend loans on the basis of the average profitability of corporations, including the corporations' capacity to repay existing loans, rather than on the basis of the profitability of new projects. Therefore, funds may not be provided smoothly to corporations saddled with excessive debts, even if the corporations have new and good investment projects.

- d) Deterioration of the country credit rating due to non-performing loans impacts on access to lines of credit and increases cost of borrowing – When a banking sector is heavily laden with non-performing loans the rating on the country deteriorates thus making it difficult for the economy to access lines of credit at competitive interest rates.

It is against the backdrop of high NPLs that the Reserve Bank of Zimbabwe established ZAMCO as part of holistic measures to deal with the problem of rising non-performing loans (NPLs) in the banking sector. ZAMCO can be viewed as an RBZ monetary tool aimed at enhancing the stability of the banking sector.

2. ZAMCO's MANDATE

ZAMCO has the following two broad mandates:

1. Assist Banks

The first mandate of the Corporation is to assist in cleaning the balance sheets of banks through acquisition of non-performing loans. The acquisitions will result in improved profitability, capital and liquidity positions of banks. With healthy balance sheets, banks are better able to perform their important financial intermediation role i.e. pooling savings and channelling them towards productive economic activities.

2. Assist Companies

The second mandate of ZAMCO is to assist in the resuscitation of companies by restructuring of their debts. The debt restructuring largely involves the reduction of interest rates and extension of loan repayment periods to reduce the debt burdens of companies.

3. AGENCIES SIMILAR TO ZAMCO

The establishment of agencies that buy non-performing loans from banks is not a phenomenon that is unique to Zimbabwe. A number of countries that faced the problem of high NPLs formed public asset management corporations (public AMCs) that are similar to ZAMCO.

ZAMCO has been modelled along similar organizations established in these other countries. A few examples are shown below:

Region	Country Examples	Description
Africa	Nigeria	The Asset Management Corporation of Nigeria (AMCON) was established in 2010 after the stability of the banking sector was threatened with high NPLs.
Asia	Malaysia, Indonesia, Thailand, China	Following the financial crises that unravelled in Asia in 1997 a number of banks in the region were left with high NPLs. The affected countries then established public AMCs to deal with the challenge of the NPLs. Malaysia established Danaharta, Indonesia formed the Indonesia Bank Restructuring Agency (IBRA) whilst Thailand formed the Thailand Asset Management Corporation (TAMCO). China in turn established four public AMCs to acquire NPLs from banks.
Europe	Ireland, Sweden	Ireland established the National Asset Management Agency (NAMA) in 2009 in response to the Irish financial crisis emanating from a property bubble. Sweden faced a financial crisis during the period 1990 to 1994. Securum, a company sponsored by the state was established in 1992 to acquire NPLs.
Americas	USA	Following a savings and loan crisis of the 1980s, a US Government company called Resolution Trust Corporation (RTC) was established to acquire non-performing loans.

4. IMF TECHNICAL ASSISTANCE

The Corporation received Technical Assistance from the International Monetary Fund (IMF) during the setting up phase. The assistance was meant to ensure that ZAMCO's operations are aligned with best international practice.

5. SUNSET PERIOD FOR ZAMCO

ZAMCO is not expected to exist in perpetuity. This is to prevent a moral hazard situation where banks could slacken on lending standards with the hope that they will sell the bad loans to ZAMCO. It is projected that ZAMCO would have accomplished its objectives in 10 years' time and hence it has a sunset period of 10 years from the date of its incorporation.

6. NPL ACQUISITION PROCESSES (Acquisition Approach)

The loan acquisitions that are done between ZAMCO and banks are conducted on a willing-buyer-willing-seller basis. This is because ZAMCO, unlike in other countries that formed similar public AMCs, does not have legal powers to compel banks to sell their NPLs.

The willingness of banks to sell their NPLs to ZAMCO depends on a number of factors, the main one being whether a bank is willing to accept the purchase price offered by ZAMCO for the loan, as, save for exceptional circumstances, ZAMCO does not acquire loans at book value, but applies a discount on the face value.

7. ELIGIBILITY ASSESSMENT

Though a bank may be willing to sell the NPL, ZAMCO does not acquire each and every NPL that has been offered. An assessment is conducted prior to acquisition to determine whether the loan meets eligibility requirements.

The eligibility requirements are as follows:

- i) classified as a non-performing loan by the bank;
- ii) secured by mortgage bonds;
- iii) not granted to insiders;

- iv) the underlying obligors should have the prospects of being turned around following debt restructuring to enable repayment of the loan from generated cash flows; and
 - v) such other NPLs which the ZAMCO board or shareholder can deem from time to time.
- In order to determine the eligibility of a loan for acquisition, four key processes are conducted:
- i) legal due diligence
 - ii) credit assessment
 - iii) collateral valuation and
 - iv) loan pricing.

Legal Due Diligence	<p>ZAMCO's legal personnel conduct a detailed legal due diligence in respect of both the loans and the security held by the banks for the loans. The legal due diligence is conducted so as to highlight any issues which would give rise to legal difficulties for ZAMCO in managing the loans or at foreclosure.</p> <p>Particular attention is paid to the enforceability of security, any deficiencies in title to property and the implications of such deficiencies. ZAMCO may take into account factors such as any pending litigation, whether the security is adequate or has been perfected or whether the credit facility documentation is defective.</p> <p>Where defects in title or the credit facility documentation are identified, ZAMCO may (a) refuse to acquire the loan concerned, (b) request that the institution correct the defect or (c) discount the loan value by an appropriate amount.</p>
Credit Review	<p>The credit review process incorporates a pre-acquisition Asset Quality Review process with financial institutions to determine the history of the credit granting process and performance of the underlying NPLs on an individual case basis. This is the information and data gathering phase which is validated by historical financial statements and bank records to enable ZAMCO's credit officers to form a preliminary opinion about the obligor's eligibility under the Corporation's set qualifying criteria.</p> <p>The next crucial stage involves a comprehensive Risk Review process whose main aim is to determine the obligor's ability to make repayments following debt restructuring.</p> <p>Inherent in the process is collating financial and non-financial information such as background, character of obligor, source of cash flow, fallback, level of exposure, type and value of collateral etc. with a view to determining the probability of default in future i.e. risk assessment.</p> <p>This process is also crucial in informing the appropriate resolution method in order to maximize recovery.</p>
Collateral Valuation	<p>Loans that are secured by mortgage bonds acquired by ZAMCO are priced on the basis of collateral that secures them, thus valuation of collateral is important. Furthermore, the valuation also informs the amounts to which Mortgage Bonds can be registered, the Insurance Value of the collateral, as well as the forced sale value in the event of foreclosure.</p> <p>The Corporation requires current collateral valuation reports on the loans it acquires. To safeguard the integrity of the valuation process, ZAMCO has accredited a number of professional valuation firms who are eligible for conducting the valuations.</p>

Loan Pricing

Following completion of the legal, credit and property due diligence processes, a loan-by-loan valuation is carried out.

ZAMCO has adopted a 'collateral based valuation' based on the Net Present Value of Estimated Cash Recovery (NPV ECR) model to price secured loans. The cornerstone of the valuation methodology is the assumption that, where loans are non-performing, ZAMCO's ultimate recourse is to realise the value of the collateral securing the loans. The pricing methodology takes into account the value of the underlying collateral and/or the discounted cash flow for the NPL as well as other characteristics of the loan.

The level of the discount is largely determined by the extent to which a loan is adequately secured, i.e. book value of loan vis-à-vis collateral value. Further discounts can be made to reflect legal difficulties such as the extent to which security can be enforced or deficiencies in title.

In some instances, the pricing is done by way of negotiation, with the price obtained from the valuation model acting as a benchmark price.

8. NPL ACQUISITIONS**Gross NPLs Acquired**

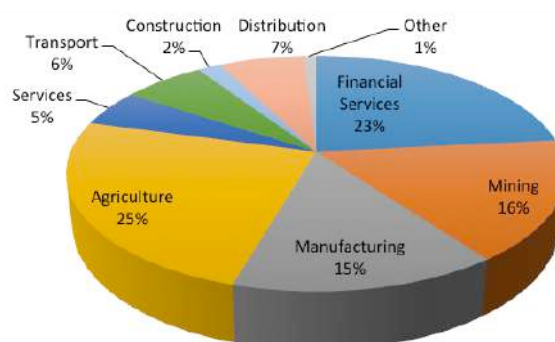
ZAMCO has been conducting NPL acquisitions in a phased approach. During the year ended 31 December 2015, the Corporation was in the first acquisition phase and primarily focused on acquiring the largest eligible NPLs across the banking sector. The offered NPLs acquired during the first acquisition phase are shown below:

Category	Amount
NPLs Offered by Banks	\$531.93 million
Gross NPLs Acquired	\$353.58 million

The total NPLs that were offered by banks during the first acquisition phase amounted to \$531.93 million and from this amount ZAMCO acquired gross loans worth \$353.58 million. The remaining NPLs were not acquired for one of the following reasons:

- The NPLs did not meet acquisition eligibility requirements; and
- The NPLs were still under evaluation.

The sectoral distribution of the loan portfolio is shown in the table below:



The distribution is mainly concentrated in the Agriculture (25%), Financial Services (23%), Mining (16%) and Manufacturing (15%) sectors.

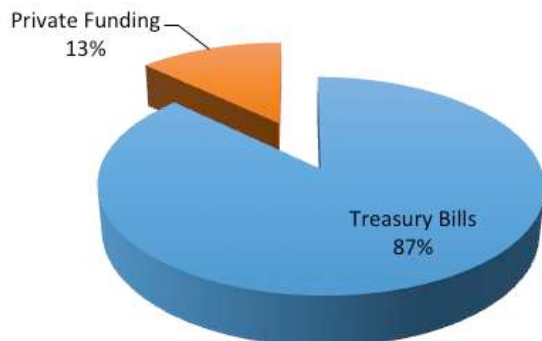
All the remaining eligible NPLs will be acquired in the second acquisition phase that begins in January 2016.

Funding for Acquisitions

The Government of Zimbabwe has committed to provide funding for NPL acquisitions in the form of Treasury Bills (TBs). Where permitting, TBs will be complemented by other private sources of funding.

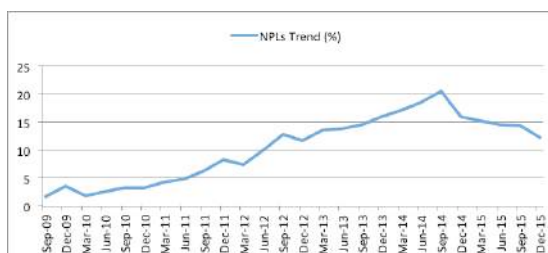
The bulk of the NPL acquisitions were done using long dated Treasury Bills (TBs) with maturities of 12 and 13 years.

The funding mix as at 31 December 2015 was as follows:



Impact of NPL Acquisitions

The acquisitions that were done by ZAMCO have helped in the reduction of the NPL ratio in the banking sector. The diagram below shows the trend in the NPL ratio since 2009:



Source: Reserve Bank of Zimbabwe

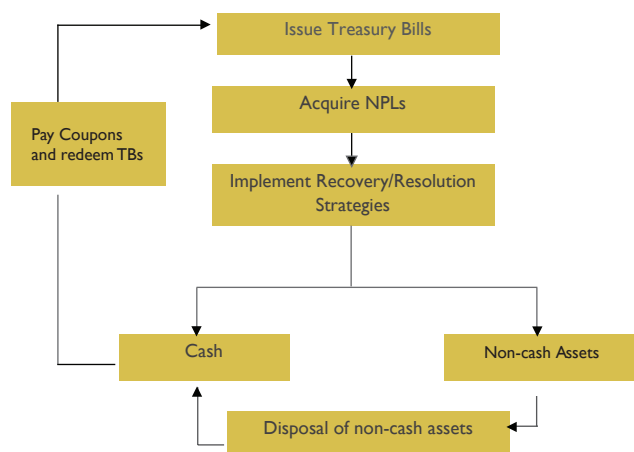
After peaking at 20.45% as at 30 September 2014, the NPL ratio has been a progressive downward trend to a level of 12.17% as at 31 December 2015.

9. RESOLUTION OF NPLS

The Resolution Mandate

After acquiring NPLs from banks, the subsequent objective is to manage the NPLs to achieve maximum recovery.

The recovery process begins with ZAMCO reviewing each NPL account in its portfolio to determine the most appropriate recovery strategy. The respective recovery strategies are then implemented to generate recovery, received in the form of cash and non-cash assets i.e. securities, properties etc. Ultimately, all non-cash assets will need to be converted to cash. The cash received will be used to pay coupons and retire TBs used in acquiring non-performing loans.



Resolution Options

Having identified the recovery methods for all the NPLs, ZAMCO then focuses on implementing these strategies. Different methods or strategies will yield different types of recovery assets namely cash, property, securities, and restructured loans. Naturally, cash is preferred but ZAMCO also accepts recovery in the form of properties or other acceptable securities.

Method	Description	Recovery Assets
Plain Loan restructuring	Extending the loan repayment period, reducing interest rates and granting capital repayment holidays. This reduces the financing cost burden, allowing companies an opportunity to turnaround.	Cash Restructured loans*
Debt to equity conversion	Converting the debts into either preference or ordinary shares. This cleans balance sheets of companies making them more attractive	Cash; Securities
Debt/asset swap	Agreement with debtor to extinguish debt or part debt using assets acceptable to ZAMCO.	Property; Securities
Negotiated settlement	Agreement with debtor for final settlement often at an acceptable discount to face value of debt.	Cash, Property, Securities
Schemes of Arrangement	Voluntary schemes formulated by both borrowers and creditors, aiming to restructure the loans.	Cash; Restructured Loans Securities; Properties
NPL Disposal	Sale of NPLs to investors in distressed assets	Cash
Foreclosure	Forced sale of collateral to settle debt.	Cash
Others	Include partial resolution of companies, liquidations, appointment of managers.	Property; Securities; Cash

* Where an NPL has been restructured i.e. the borrower agrees to a new repayment schedule that is being adhered to, in effect the restructured loan is a recovery asset (being a stream of repayments over a period of time).

Set out in the table below are detailed descriptions of the recovery methods employed by ZAMCO and the types of recovery received from the implementation of each method.

The implementation of the various recovery strategies generates recovery assets into four main categories:

- i. Cash – Foreclosure: generated from foreclosure- sale of collateral i.e. shares and properties. Non-foreclosure: generated from cash settlements, redemption of collateral, the sale of securities.
 - ii. Restructured loans, made up of restructured or rehabilitated NPLs i.e. a stream of repayments over a period of time.
 - iii. Securities, comprising all kinds of securities e.g., shares or loan stocks that have been issued to ZAMCO as part of settlement schemes.
 - iv. Properties, comprising properties which are under the beneficial ownership of ZAMCO, and set-off properties, i.e. properties that are offered and accepted as full or partial settlement for NPLs.
- A general guideline on how ZAMCO determines the recovery method for each NPL is given below:

- **Viable Borrowers**

Borrowers with viability prospects are given a chance to restructure and rehabilitate their debt in accordance with ZAMCO's restructuring principles and guidelines. Some of the methods employed for viable obligors include plain Loan Restructuring, Negotiated Settlement of Loans, Schemes of Arrangement and Debt to Equity conversions.

- **Non-viable borrowers**

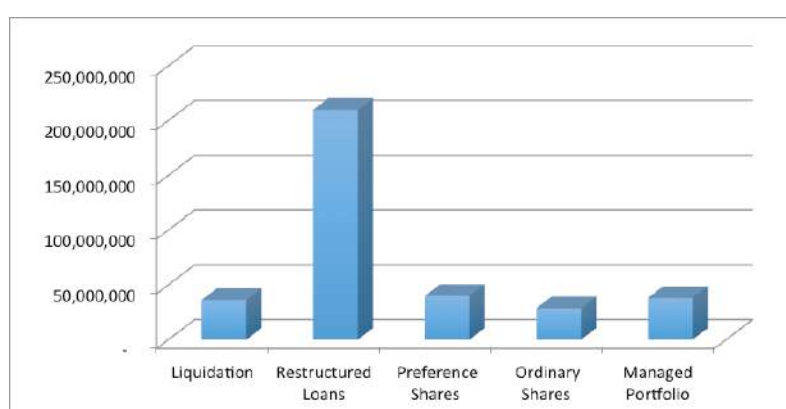
For loans that are non-viable and in cases where borrowers fail to comply with the loan restructuring guidelines to restructure their loans, the recovery normally involves the sale of a borrower's business or the underlying collateral. The methods adopted by ZAMCO include foreclosure and liquidation.

Resolution Methods for Current Portfolio

At the acquisition stage, ZAMCO has been conducting preliminary evaluation of resolution strategies of NPLs. The resolution strategies will further be refined once the Corporation enters the resolution phase of its operating cycle.

The preliminary resolution options that have been determined on the portfolio of NPLs as at 31 December 2015 are shown below:

Resolution Method	No. of Accounts	Value
NPLs Earmarked for Foreclosure	3	36,400,000
Plain Restructured Loans	76	210,003,616
Conversion to Equity – Preference Shares	2	40,037,006.63
Conversion to Equity – Ordinary Shares	1	28,855,167
Managed Portfolio*	1	38,283,003
Total	83	353,578,793



*The managed portfolio represents loans that are being managed on behalf of government.

The portfolio was pre-dominantly earmarked for recovery involving plain loan restructuring, constituting 58% of the portfolio.



Risk Management

I. OVERVIEW

- I.1 There is an ongoing process for identifying, evaluating and managing significant risks faced by ZAMCO as espoused in the Corporation's Enterprise Risk Management Framework (ERM).
- I.2 There is a risk management framework for identifying, evaluating, reviewing and addressing the principal risks in ZAMCO to safeguard shareholder's investment and the Corporation's assets.
- I.3 The risk management framework can be summarized as follows:

1. Risk Identification	2.. Risk Evaluation	3. Risk Mitigation	4. Risk Governance And Reporting
<ul style="list-style-type: none"> Know areas of vulnerability (credit, operational, etc). Carry out full portfolio evaluation based on identified risks. Document risk issues. 	<ul style="list-style-type: none"> Put appropriate methodologies to measure risk exposure. Ensure pricing integrity and independent verification. Quality control and data integrity. 	<ul style="list-style-type: none"> Set a strategy for the management of specific risks. Engage risk expertise in decision-making processes. Implement policies to cover key risks and ensure adherence. Define control framework. Dedicate resources to deal with key risk issues. On-going evaluation and review. 	<ul style="list-style-type: none"> Implement a risk governance function, which can be stand-alone or combined within existing management structures. Use key risk indicators to aid monitoring and reporting. Issue escalation protocol.

- I.4 The Corporation has a Risk Management Function that co-ordinates the risk response and is the custodian for the Corporation's risk management policy, which clearly defines ZAMCO's overall policy in handling the significant risks identified and the strategies to manage these risks.
- I.5 Line functions are responsible for establishing and implementing risk and control systems for their areas of responsibilities. The risk management system is at two levels namely strategic and operational.
- At the strategic level this involves the identification and analysis of principal risks by Management as part of the business planning and review process.
 - At the operational level, the Risk Management Function is responsible for conducting the independent risk reviews of the loan management papers, asset management papers and investment proposal papers before submission for approval by the relevant Management and/or Board Committees.
- I.6 The Risk Management Function is required to conduct these reviews in an effective and efficient manner to provide reasonable independent assurance that significant and pertinent risk issues have been appropriately addressed in the relevant proposal papers. Thus, this forms part of an ongoing process of managing risks.
- I.7 Principal areas of risks are subject to reporting by Management and review by the Audit and Risk Committee and the Board. Some of the principal risks and their measurement and management methodologies are highlighted hereunder:

2. CREDIT RISK/RECOVERY RISK

- 2.1 One of the core mandates of the Corporation is to maximize the recovery from the acquired NPL portfolio hence credit risk management is of paramount importance. Some of the techniques that are brought utilized in measuring and managing credit are highlighted in the table below:

Nature of Risk	Measurement	Management Tools
<ol style="list-style-type: none"> 1. Failure to meet interest and capital repayment obligations on restructured loan facilities in accordance with the terms of the facility agreement. 2. Failure to meet dividend payments on preference shares. 	<ul style="list-style-type: none"> – Loan grading into five classification categories: pass, special mention, substandard, doubtful and loss. – Classification of loan book into performing and non-performing loans. – Recovery rate on total acquired NPL portfolio – Proportion of NPLs failing to meet restructured facility terms. – Sectoral Concentration of portfolio. 	<ul style="list-style-type: none"> – Pre-acquisition credit assessment. – Focus on acquiring loans secured by mortgage bonds. – Reducing interest rates and extending tenor of loans. – The corporation's focus on acquiring and restructuring loans for obligors with viability prospects will enhance the quality of the loan book. – Instituting measures to influence turnaround of companies such as requiring board seats and management re-organization. – Engaging corporate turnaround experts to advise on corporate restructuring – On-going monitoring of performance of the companies. – Monthly management Risk Review reports and quarterly reporting to board.

OPERATIONAL RISK

3. OPERATIONAL RISK

3.1 Operational risk arises from failed or inadequate internal processes, people and systems or from external events that cause harm to the organization.

3.2 Key to the management of operational risks is maintenance of robust internal controls. ZAMCO'S internal control system is based on a clear definition of responsibility and delegation of authority to a number of Board Committees. The

roles and responsibilities for these committees are defined in their terms of references. The terms of reference are periodically reviewed to reflect the relevancy and practice.

3.3 There are requisite policies and procedures for almost all the business and support activities. There is also an ongoing review to update the existing policies and procedures to reflect current practices.

3.4 Controls for specific activities and areas are as follows:

Operations	There is a structured and well-defined line of approving authorities for all loan restructuring proposals, which are subject to independent risk reviews. Guidelines exist for loan restructuring and loan recovery. There is regular reporting and review of loan restructuring and other business activities by senior management. The Corporation uses Key Risk Indicators (KRIs) and self-risk assessment to measure and manage operational risks.
Performance of Service Providers	A system to pre-qualify service providers onto ZAMCO's panel and monitoring their performance and quality of service.
Loan Restructuring Failures	There is a post-approval implementation system to monitor and report on the progress of loan recovery and defaults. This is to ensure that agreed loan workouts are implemented promptly and defaults detected early for appropriate actions to be taken. Management conducts regular reviews of default accounts
Information and Communication technology.	The Corporation has implemented robust management information systems to ensure easy transaction processing and safeguard data integrity. The Corporation has an acceptable disaster recovery plan incorporating a disaster recovery site
Finance and Accounting	A comprehensive budgeting process with an annual plan approved by the Board. The business results are reported monthly and compared to the plan. Forecasts are prepared annually and reviewed regularly throughout the year. The Corporation announces its business results through its published Annual Report.
Performance Measurement	The organization sets annual objectives. Divisions also set their divisional objectives, which are aligned, to the Corporation's objectives. Where appropriate, individuals are allowed to set their objectives, which are aligned, to the divisional objectives. Work activities are supervised and the performance is monitored and evaluated i.e. actual results against the agreed targets/objectives.
Employee Conduct	Employees conduct their work activities in accordance with clearly defined approved policies and procedures that meet international standards as defined in the various policy and procedures manuals. This includes the Code of Ethics policy document that sets high ethical business standards and practices for business conduct and the code of behavior for employees to adhere to.
Assurance	Through the Audit and Risk Committee, the Board has oversight role in ensuring a sound internal control system and regular review on its adequacy and integrity is conducted. Internal auditors and external auditors conduct independent appraisals on ZAMCO's business operations and support activities and financial records and statements respectively to provide an opinion on the adequacy and integrity of ZAMCO's overall internal control framework.



LEGAL AND COMPLIANCE RISK

4. LEGAL AND COMPLIANCE RISK

4.1 Some of the legal and compliance risk issues and measurement and management methodologies are highlighted below:

Legal & Compliance Risk Issues	Measurement/Mitigation
Defective and/or inadequate documentation for transactions/ contracts entered into by ZAMCO leading to litigations.	<ul style="list-style-type: none"> – Maintain system of continuous review and updating of documentation used by the Corporation. – An internal legal team is in place to advise on legal matters. – In appropriate circumstances, reliance will be placed on formal legal opinions from external counsel. – Continuous enhancement in NPL acquisition processes.
Non-compliance with laws, legislation and regulations	<ul style="list-style-type: none"> – Proactively identifying new and changed relevant local laws, regulations and standards. – Regular reporting to stakeholders, particularly RBZ and Ministry of Finance. – Compliance with best practice requirements.
Non-compliance with own policies and procedures	<ul style="list-style-type: none"> – The Corporation's Legal and Compliance function is mandated to monitor compliance to policies and procedures. – The board and senior management monitors compliance on an on-going basis. – Independent assurance from audit.

LIQUIDITY RISK



5. LIQUIDITY RISK

5.1 ZAMCO has an obligation to meet periodic coupons on Treasury Bills (TBs) that have been used as consideration in the acquisition of NPLs as well as redemption of the TBs upon maturity. Liquidity risk arises when the Corporation fails to provide funding to meet these obligations.

5.2 This risk arises from the following factors among others:

a) ZAMCO usually grants repayment grace periods upon restructuring of loans so there will be a mismatch between cash inflows and required cash outflows;

b) The obligors may default on the required periodic loan repayments;

c) Some loans have been converted into equity where there may not be periodic cash inflows generated;

d) Full recovery on all the NPLs acquired is not expected given the high risk nature of the loan portfolio

5.3 The Corporation has established a sinking fund where repayments are deposited and earmarked for meeting obligations on TBs.

REAL ESTATE RISKS



6. REAL ESTATE RISKS

6.1 ZAMCO's focus has been acquiring loans that are secured by mortgage bonds. Outstanding loans, in the event of default, may be settled by foreclosing on properties held as security. In addition debt-asset swap arrangements may be entered into with borrowers, resulting in ZAMCO holding a portfolio of properties

6.2 The real estate risks that ZAMCO faces and the risk mitigants are shown in the table below:

Property Valuations Risks		
Risk Exposure	Risk Implication	Risk Mitigation
Incorrect Valuation	<ul style="list-style-type: none"> Overpaying for properties held as security. Debtors may challenge valuation and delay NPL acquisition process. 	<ul style="list-style-type: none"> Screening Valuation firms and engaging those on suppliers list. In-house Valuation Reviews. Engaging alternative firm for second opinion valuations. In-house property surveys and inspections.
	<ul style="list-style-type: none"> Under-insuring of property with regards to replacement cost. 	<ul style="list-style-type: none"> Valuation review; Request for plinth areas and surrounding works of property
Value incorrect property	<ul style="list-style-type: none"> Wrong collateral value. 	<ul style="list-style-type: none"> Physical inspection. Deeds search. Written confirmation & scope from property owner.
Property Management/Sales Risks		
Compliance Risk	* Non-compliance with Estate Agents Act.	<ul style="list-style-type: none"> Disposal by private treaty or auction to be done by registered Auctioneer/ Estate Agent on the approved suppliers list.
Transfer Risk	<ul style="list-style-type: none"> * Transferring the wrong title * Non-compliance with Caveats or liens which may be registered against the title deeds. 	<ul style="list-style-type: none"> Deeds Search, have a copy of the title deeds from the Deeds Office and place it in the file. Agreement of Sale. Check list to be completed to ensure compliance with due diligence requirements.
Market Risk (Chance of selling at below acquisition value)	* Financial loss	<ul style="list-style-type: none"> Disposal of foreclosed property should be done in shortest possible time. Continued market research and trend analysis Develop and continually improve marketing plans Continued assessment of NPL discount rate to cover the market risk
Bad Debts	* Financial loss	<ul style="list-style-type: none"> Eviction procedures should be promptly instigated Negotiations to agree on payment plans. Maintain an arrears checklist.
Legal Risk - Breach of lease agreements	* Dragging of dispute settlement resulting in revenue loss.	<ul style="list-style-type: none"> Regular lease audits by property managers.
Statutory Controls/Rents Freeze	* Reduced yield/return or income and ultimately value of the property.	<ul style="list-style-type: none"> Research on any directives and compliance issues.
Sub letting	<ul style="list-style-type: none"> * Loss of income. * Deterioration is state of property up-keep. 	<ul style="list-style-type: none"> Physical inspections of properties. Spot checks by Property Managers.



Financial Review

1. Introduction

The financial statements of the Corporation include the Statement of Comprehensive Income, Statement of Financial Position, Statement of Changes in Shareholders Equity, Statement of Cash Flows and the accompanying notes. The following discussion should be read together with the accompanying audited financial statements of the corporation for the year ended 31 December 2015, which contain details of factors that influenced the recorded results.

2. Statement of Comprehensive Income

ZAMCO made an operating surplus of US\$0.5 million for the period to 31 December 2015.

The overall operating performance for the period is set out in the table below:

	US\$000
Interest and commission income	5,202
Interest and commission expense	(4,264)
Net interest and commission income	938
Operating expenses	(459)
Operating profit	479

1.1 Interest and commission income

The interest and commission income recognised in 2015 is broken down as follows:

	US\$000
Interest received from loans and receivables	4,704
Facility fees	488
Management fees	10
Net interest and commission income	5,202

Interest income from the acquired loans and receivables constitute the largest part of recognised income. The interest is calculated on a monthly/quarterly compounding basis with applicable rates ranging between 6 and 10% per annum. Note 3 to the financial statements provides further guidance on the computation of interest income.

Facility fees are recognised when a loan acquired is restructured to new rates and/or tenor. These are chargeable at 1% of facility value and recognised on a time apportionment basis over the life span of the facility.

2.2 Interest expense

Interest expense for the year 2015 was US\$4.264million, broken down as follows:

	US\$000
Interest on Government Treasury Bills	2,585
Interest expense on PTA Facility	1,678
Other interest charges	1
Net interest and commission income	4,264

The interest expense includes US\$2.6 million accrued on Government Treasury bills.

US\$1.7 million of the interest expense arose from advances from the PTA Bank. These advances amounted to US\$45.5million as at period end and attract an interest rate of 8.25% payable quarterly.

2.3 Operating expenses

The operating costs incurred by the Corporation in 2015 amounted to US\$0.5 million, the distribution of which is as shown below:

Table 4: Operating expenses

	US\$000
Auditors' remuneration	30
Equipment depreciation	14
Utilities	7
Legal fees	18
Rates	24
Employee benefits	163
Directors fees	149
Other expenses	52
Total operating expenses	459

2.4 Impairment

At year end, in accordance with the International Financial Reporting Standards (IFRS), an assessment was carried out on all the assets held by the corporation with a view to establishing if any had deteriorated in value to less than the carrying value in the books (impairment).

There were no assets which evidenced impairment and as such no provision was made in the books.

3. Cash Flow Statement

ZAMCO generated net cash of US\$1.3million, which mainly arose from operations. Transactions which affected the cash position mostly were facility fees which are paid upfront upon the signing of a facility document.

4. Statement of Financial Position

3.1 Loans and advances

ZAMCO's loan book stood at US\$321million at period end. A discount of US\$8.6million was effected on acquisitions done during the period. These acquired assets had a carrying value of US\$312 million as at year end.

The assets are held in various industries covering resources, services and manufacturing. The valuation was arrived at after taking into account impairment factors observable for the individual and group of assets.

3.2 Treasury Bills

The treasury bills are government paper issued for the raising of financing. These treasury bills were used to purchase the loans acquired during the period. The treasury bills issued amounted to US\$246 million, attracting an interest of 5% p.a. payable semi-annually.

3.3 Loans and Borrowings

Funding on some of the assets acquired was provided by external funders, PTA Bank (\$45.5 million). The rate chargeable on this facility, being 8.25%, is higher than that accruing on the treasury bills.

5. Going Concern

The management of the corporation assessed the entity and its operations, as at year end, for any issues that may affect its ability to continue as a going concern. The opinion of management is that ZAMCO has the capacity to continue operating as a going concern. Further information on the going concern status is covered under Note 25 to the financial statements.

AUDITED

FINANCIAL STATEMENTS

THE ZIMBABWE ASSET MANAGEMENT CORPORATION (PRIVATE) LIMITED
AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015



**Chartered Accountants (Zimbabwe)**

Registered Public Auditors Angwa City

Cnr Julius Nyerere Way

Kwame Nkrumah Avenue

P.O Box 62 or 702

Harare

Zimbabwe

Phone: +263 4 750979**Fax:** +263 4 750707 or 773842**Email:** admin@zw.ey.com**Website:** www.ey.com

Independent Auditor's Report

To the Shareholders of Zimbabwe Asset Management Corporation

Report on the Financial Statements

We have audited the financial statements of Zimbabwe Asset Management Corporation set out on pages 41 to 68, which comprise the statement of financial position as at 31 December 2015, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and the notes, comprising a summary of significant accounting policies and other explanatory information.

Directors' Responsibility for the Financial Statements

The company's directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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 about 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 judgement, 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 Zimbabwe Asset Management Corporation as at 31 December 2015, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards.

Report on other legal and regulatory requirements

In our opinion, the financial statements have been properly prepared in compliance with the disclosure requirements of the Companies Act (Chapter 24:03).

Ernst & Young**Chartered Accountants (Zimbabwe)**

Registered Public Auditors

Harare

31 March 2016

ZIMBABWE ASSET MANAGEMENT CORPORATION (PRIVATE) LIMITED

DIRECTORS' REPORT

For the year ended 31 December 2015

The Directors of the Zimbabwe Asset Management Corporation have pleasure in submitting their report for the financial year ended 31 December 2015.

I. NATURE OF BUSINESS

I.1 The Zimbabwe Asset Management Corporation ("ZAMCO", "the corporation", "the entity") was established in 2015 as a private entity.

The functions of ZAMCO are as follows:

- a) To acquire, manage, restructure and dispose of Non-Performing Loans in the Banking Sector
- b) Realisation of maximum value for all stakeholders through engagement;
- c) Reduction of non-performing loans in the banking sector

ZIMBABWE ASSET MANAGEMENT CORPORATION (PRIVATE) LIMITED

DIRECTORS' REPORT

For the year ended 31 December 2015

2. DIRECTORS' RESPONSIBILITY STATEMENT

The Directors are responsible for the preparation and integrity of financial statements that present the state of affairs of ZAMCO as at 31 December 2015. These include statements of profit or loss and other comprehensive income, financial position, cash flows and changes in equity for the year then ended and information contained in this report.

In order to meet the above requirements, the Directors are responsible for maintaining adequate accounting records and internal controls to safeguard the assets of ZAMCO and to prevent and detect fraudulent activities. The internal control systems are implemented and monitored by suitably trained personnel with 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 financial statements of the corporation are prepared in accordance with International Financial Reporting Standards. Accordingly, these financial statements have been prepared in accordance with the basis of preparation on 'note 2' and the accounting policies, as determined by the Directors, as set out in 'note 3' to the financial statements. The Directors consider the accounting policies adopted to be suitable for the intended users of the financial statements. The financial statements are prepared under the historical cost convention except for the revaluation of freehold land and buildings, investment properties, quoted shares and other assets and liabilities which are denominated in currencies other than the United States dollars (US\$), which are converted at the spot (ruling exchange) rate at the reporting date.

The accounting policies are prepared on the basis of International Financial Reporting Standards (IFRS).

The audited financial statements are presented in United States dollars. These were audited by our independent auditors, Ernst & Young, who were given unrestricted access to all the accounting records and supporting documentation.

The following were the Audit, Risk and Oversight Committee members for the entity.

- Mr. J. Chikura (Chairperson and Non-Executive Director)
- Dr. C.L. Dhliwayo (Non-Executive Director)
- Mr. E. Zvandasara (Non-Executive Director)
- Mr. S.T. Biyam (Non-Executive Director)

ZIMBABWE ASSET MANAGEMENT CORPORATION (PRIVATE) LIMITED

DIRECTORS' REPORT

For the year ended 31 December 2015

This committee met regularly with ZAMCO's external auditors and senior management to review accounting, auditing, internal control and financial reporting matters. The external auditors have unrestricted access to the Audit, Risk and Oversight Committee.

3. BOARD MEMBERS

The following is the composition of the Board of ZAMCO. The Board is made up of non-executive directors only.

- Mr. B. Mswaka*
- Dr. C.L. Dhlwayo**
- Mr. A. Saburi**
- Mr. N. Mataruka**
- Mr. R. Anand**
- Mr. D. Psillos**
- Mr. S. T. Biyam**
- Mr. R. G. Muirimi**
- Mr. E. M. Zvandasara**
- Mr. J. M. Chikura**

* Chairperson of the Board

** Non-executive directors

ZIMBABWE ASSET MANAGEMENT CORPORATION (PRIVATE) LIMITED

DIRECTORS' REPORT

For the year ended 31 December 2015

4. ACCOUNTING POLICIES

The accounting policies adopted by ZAMCO are set out in note 3 to the financial statements.

5. RESULTS OF ZAMCO'S OPERATIONS

The corporation recorded a surplus for the year of **US\$478,788** (2014 Deficit: **US\$63,514**). The surplus was as a result of normal ZAMCO operations during the period under review.

	2015 US\$	2014 US\$
Surplus/(Deficit) for the year	478,788	(63,514)

ZIMBABWE ASSET MANAGEMENT CORPORATION (PRIVATE) LIMITED

DIRECTORS' REPORT

For the year ended 31 December 2015

7. GOING CONCERN

The financial statements have been prepared using appropriate accounting policies, supported by reasonable and prudential judgments and estimates. ZAMCO recorded a surplus of US\$478,788 (2014 deficit: US\$63,514), for the year ended 31 December 2015 and as of that date, its total assets were US\$352,148,224 (2014: US\$26,974) whilst total liabilities, amounted to US\$351,445,429 (2014: US\$0), as reflected in these financial statements.

The Government through the Reserve Bank of Zimbabwe (RBZ) has committed to the operations of ZAMCO by pledging to issue Treasury Bills (TBs) with a face value of US\$500 million for the purchase of Non-Performing Loans. ZAMCO has utilised US\$246 million of the Treasury Bills allocation to date.

Moreover, the Government of Zimbabwe and RBZ have committed to the existence of ZAMCO through a provision in the Banking Amendment Bill (2015) which provides for the creation of ZAMCO for the purposes of purchasing non-performing loans. The bill is now awaiting presidential assent before it becomes law.

ZAMCO is wholly owned by the Reserve Bank of Zimbabwe and remains core to the wellbeing of the financial services sector. The entity generates revenue from interest on purchased and restructured loan assets, facilitation and management fees.

Accordingly, taking into account ZAMCO's performance in the period under review, and future prospects presented by the scope of ZAMCO's mandate, the Directors have a reasonable expectation that ZAMCO has adequate resources to continue as a going concern in the foreseeable future.

9. APPROVAL OF FINANCIAL STATEMENTS

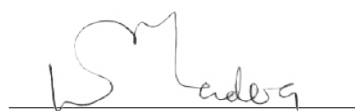
The financial statements which appear on pages 9 to 51 were approved by the Directors on 30 March 2016 and the Directors approved the following officials to sign the financial statements:



Mr. B. Mswaka
Chairman of the Board



Dr. C. Kanhai
Chief Executive Officer



Mr. W. Madera
Company Secretary

Date: 31 March 2016



AUDITORS REPORT

ZIMBABWE ASSET MANAGEMENT CORPORATION (PRIVATE) LIMITED
 STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
 For the year ended 31 December 2015

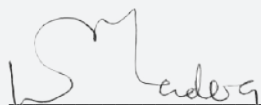
	Notes	2015 US\$	2014 US\$
Interest and commission income	5.1	5,201,592	-
Interest and commission expense	5.2	(4,264,187)	-
Net interest and commission income		937,405	-
Other income		-	-
Net interest and commission income after other income		937,405	-
Operating costs	5.3	(458,617)	(63,514)
Surplus/(Deficit) for the year before reversal of impairment of financial assets		478,788	(63,514)
Impairment of financial assets	6	-	-
Surplus/(Deficit) for the year		478,788	(63,514)
Other comprehensive income (OCI)		-	-
Total comprehensive income for the year		478,788	(63,514)

ZIMBABWE ASSET MANAGEMENT CORPORATION (PRIVATE) LIMITED
STATEMENT OF FINANCIAL POSITION
For the year ended 31 December 2015

	Notes	2015 US\$	2014 US\$
Assets			
Property and equipment	7	65,427	21,374
Held to maturity local investments	8	38,283,003	-
Loans and advances	9	312,464,998	-
Receivables	10	1,936	5,600
Cash and bank balances	11	1,332,860	-
Total Assets		352,148,224	26,974
Equity and Liabilities			
Capital and reserves			
Share Capital	12	1,000	1,000
Share premium		286,521	89,488
Accumulated deficit		415,274	(63,514)
(Deficit)/Surplus attributable to equity owners of ZAMCO		702,795	26,974
Liabilities			
Loans and borrowings	13	98,911,200	-
Treasury bills issued	14	250,123,365	-
Deferred income	15	2,028,120	-
Payables	16	382,744	-
Total liabilities		351,445,429	-
Total equity and liabilities		352,148,224	26,974



Mr. B. Mswaka
Chairman of the Board



Mr. W. Madera
Company Secretary



Dr. C. Kanhai
Chief Executive Officer

Date: 31 March 2016

ZIMBABWE ASSET MANAGEMENT CORPORATION (PRIVATE) LIMITED
STATEMENT OF CHANGES IN EQUITY
For the year ended 31 December 2015

	Share Capital US\$	Share premium US\$	Accumulated Surplus/(deficit) US\$	Total US\$
Balance at 1 January 2014	-	-	-	-
Issue of Shares [100 000 @US\$0.01]	1,000	89,488	-	90,488
Surplus/ (Deficit) for the year	-	-	(63,514)	(63,514)
Balance at 31 December 2014	1,000	89,488	(63,514)	26,974
Surplus for the year	-	-	478,788	478,788
Share Premium	-	197,033	-	197,033
Balance at 31 December 2015	1,000	286,521	415,274	702,795

ZIMBABWE ASSET MANAGEMENT CORPORATION (PRIVATE) LIMITED
STATEMENT OF CASH FLOWS

For the year ended 31 December 2015

	2015 US\$	2014 US\$
CASH FLOWS FROM OPERATING ACTIVITIES		
Operating cash flows		
Surplus for the year	478,788	(63,514)
Adjustment for items not affecting cash flows		
-Government grant treasury bills	-	-
-Depreciation	14,222	962
Net cash (outflow)/ inflow from operating activities	493,010	(62,552)
(Increase)/ decrease in other receivables	3,664	(5,600)
Increase/ (decrease) in trade payables	2,410,864	-
Cash Generated from Operations	2,907,538	(68,152)

ZIMBABWE ASSET MANAGEMENT CORPORATION (PRIVATE) LIMITED
 STATEMENT OF **CASH FLOWS**
 For the year ended 31 December 2015

CASH FLOWS FROM INVESTING ACTIVITIES

Investing activities		
Purchase of property and equipment	(58,275)	(22,336)
Acquisition of portfolio investments	(350,748,001)	-
Net cash from investing activities	(350,806,276)	(22,336)

CASH FLOWS FROM FINANCING ACTIVITIES

Proceeds from issue of Share Capital	197,033	90,488
Proceeds from long term borrowings	349,034,565	-
Net cash from financing activities	349,231,598	90,488

NET INCREASE IN CASH AND CASH EQUIVALENTS

Cash and cash equivalents at beginning of the year	-	-
Cash and cash equivalents at end of the year (Note 11)	1,332,860	-

ZIMBABWE ASSET MANAGEMENT CORPORATION (PRIVATE) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2015

1. REPORTING ENTITY

The Zimbabwe Asset Management Corporation is an entity incorporated under the Companies Act [Chapter 24:03]. It is incorporated and domiciled in Zimbabwe. ZAMCO's registered office is 5th Floor, Hardwicke House, 72-74 Samora Machel Avenue, Harare.

1.1. Nature of business

The Zimbabwe Asset Management Corporation ("ZAMCO") is established under the Companies Act [Chapter 24:03] ("the Act"). The functions of ZAMCO are as follows:

- d) To acquire, manage, restructure and dispose of Non-Performing Loans in the Banking Sector
- e) Realisation of maximum value for all stakeholders through engagement;
- f) Reduction of non-performing loans in the banking sector

2. BASIS OF PREPARATION

The financial statements of ZAMCO are prepared and presented in accordance with the International Financial Reporting Standards as issued by the International Accounting Standards Board. The financial statements are prepared under the historical cost basis except for land, buildings, and available for sale financial instruments which that are measured at fair value.

2.1 Financial Reporting Framework

ZAMCO presents its statement of financial position in order of liquidity. The accounting policies are prepared on the basis of International Financial Reporting Standards (IFRS).

2.2 Use of estimates and judgments

The preparation of the financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on histori-

cal experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the year in which the estimate is revised if the revision affects only that year or in the year of revision and future years if the revision affects both current and future years. Management judgment was used in the application of accounting policies that have a significant effect on the financial statements and on estimates with a significant risk of material adjustments in the subsequent year.

Information about significant areas of estimation, uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements are described in note 4, to the financial statements.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**3.1 Revenue recognition**

Revenue is recognised to the extent that it is probable that the economic benefits will flow to ZAMCO and the revenue can be reliably measured, regardless of when the payment is being made. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms.

3.1.1 Interest income

Interest income arises from ZAMCO's lending and money market activities. It is accrued on a time proportion basis, by reference to the principal outstanding and at the interest rate applicable to the instrument.

ZIMBABWE ASSET MANAGEMENT CORPORATION (PRIVATE) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2015

3.1.2 Fee income

ZAMCO recognises fees on an accrual basis from loan restructuring services in accordance with the substance of the underlying transaction.

3.1.3 Dividend income

Dividend income from investments is recognised when ZAMCO's rights to receive the dividend have been established.

3.2 Foreign currency translation

Items included in the financial statements of the entity are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). These financial statements are expressed in United States Dollars (US\$).

Transactions and balances

Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rate of exchange at the reporting date. All differences arising on settlement or translation of monetary items are taken to the statement of profit or loss. Tax charges and credits attributable to exchange differences on those monetary items are also recorded in the statement of profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. The gain or loss arising on translation of non-monetary items is treated in line with the recognition of gain or loss on change in fair value of the item (i.e. translation differences on items whose fair value gain or loss is recognized in other comprehensive income or the statement of profit or loss is also recognized in other comprehensive income or the statement of profit or loss, respectively).

Transactions in foreign currencies are initially recorded by the entity at their respective functional currency spot rates at the date the transaction first qualifies for recognition.

3.3 Employee benefits**3.3.1 Retirement benefit costs**

ZAMCO does not contribute to any retirement benefit plans.

3.3.2 Pension scheme

ZAMCO and its employees contribute to the National Social Security's Pension Scheme from pensionable earnings. The fund is a defined contribution fund, the assets of which are held in a separate trustee administered fund.

3.3.3 Termination benefits

Termination benefits are recognised as an expense when ZAMCO is committed, without realistic possibility of withdrawal, to a formal detailed plan to terminate employment before the normal retirement date, or to provide termination benefits as a result of an offer made to encourage voluntary redundancy. Termination benefits for voluntary redundancies are recognised as an expense if ZAMCO has made an offer encouraging voluntary redundancy, it is probable that the offer will be accepted, and the number of acceptances can be estimated reliably.

3.3.4 Short term benefits

Short term benefits consist of salaries, accumulated leave payments and any non-monetary benefits such as medical aid contributions. Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

A liability is recognised for the amount expected to be paid under accumulated leave if ZAMCO has a present legal or constructive obligation to pay this amount as a result of past service provided by

ZIMBABWE ASSET MANAGEMENT CORPORATION (PRIVATE) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2015

the employee and the obligation can be estimated reliably.

3.4 Taxation

ZAMCO is exempt from Income Tax and Capital Gains Tax in terms of the Income Tax Act (Chapter 23:06) and the Capital Gains Tax Act (Chapter 23:01).

3.5 Property and equipment

Land and buildings held for use in the provision and supply of services, or for administrative purposes, are initially measured at cost and subsequently stated in the statement of financial position at their revalued amounts, being the fair value at the reporting date, determined from market-based evidence by appraisal undertaken by independent professional valuers, less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

Revaluations are performed with sufficient regularity such that the carrying amount does not differ materially from the fair value determined at the reporting date. Property and equipment are revalued after three years in accordance with the Audit, Risk and Oversight Committee guidelines. Any revaluation increase arising on the revaluation of buildings is credited to the revaluation reserve, except to the extent that it reverses a revaluation decrease for the same assets previously recognised as an expense, in which case the increase is credited to profit or loss to the extent of the decrease previously charged.

A decrease in carrying amount is charged as an expense to the extent that it exceeds the balance, if any, held in revaluation reserve relating to a previous revaluation of that asset.

Depreciation on revalued buildings is charged to profit or loss. On the subsequent sale or retirement of a revalued property, the attributable revaluation surplus remaining in the properties revaluation reserve is transferred directly to the accumulated fund.

Furniture, equipment and motor vehicles are stated at acquisition or deemed cost less accumulated depreciation and impairment losses. Depreciation is charged so as to write off the acquisition cost or valuation of assets, other than land and buildings under construction, over their estimated useful lives to their residual values, using the straight line method, on the following basis:

Buildings	50 Years
Computer Equipment	4 Years
Computer Software	4 Years
Office Equipment	4 Years
Furniture and Fittings	10 Years
Motor vehicles	5 Years

The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised as income or expense in profit or loss.

3.6 Financial instruments

All financial assets and liabilities are initially recognised on the trade date i.e., the date ZAMCO becomes a party to the contractual provisions of the instrument. The classification of financial instruments at initial recognition depends on their purpose and characteristics and the management's intention in acquiring them. ZAMCO's financial instruments consist primarily of cash and deposits with banks, equity investments, loans and advances to customers, Treasury Bills held to maturity, amounts due to banks and other customers.

3.6.1 Financial assets and financial liabilities

Financial assets and financial liabilities are recognised in the statement of financial position when ZAMCO becomes a party to the contractual provisions of the instrument. Management determines the appropriate classification at initial recognition of the financial instrument.

ZIMBABWE ASSET MANAGEMENT CORPORATION (PRIVATE) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2015

3.6.2 Financial assets

Financial assets are classified into the following categories: financial assets as 'at fair value through profit or loss' (FVTPL), 'held to maturity investments', 'available for sale' (AFS) financial assets and 'loans and receivables'. The classification depends on the nature and purpose of the financial asset and it is determined at the time of initial recognition.

ZAMCO's main financial assets are debtors and other receivables, loans and advances to customers and investments.

3.6.3 Receivables, loans and advances

Receivables, loans and advances that are not quoted on an active market are classified as loans and advances. Loans and advances are classified as Held to maturity and they are measured at amortised cost less any impairment losses.

3.6.4 Available for sale (AFS) financial assets

AFS financial assets include equity investments and debt securities. Equity investments classified as AFS are those neither classified as held for trading nor designated at fair value through profit or loss. Debt securities in this category are those that are intended to be held for an indefinite period of time and that may be sold in response to needs for liquidity or in response to changes in market conditions.

After initial measurement, AFS financial assets are subsequently measured at fair value with unrealised gains or losses recognised in OCI and posted in the mark to market reserve until the investment is derecognised, at which time profit or loss is recognised in other operating income. When the investment is determined to be impaired, the cumulative loss is reclassified from the mark to market reserve to the statement of profit or loss as impairment loss. Dividend received whilst holding AFS financial assets is reported as dividend income.

3.6.5 Held to maturity investments

Non derivative financial assets with fixed or determinable payments and fixed maturities are

classified as held to maturity when ZAMCO has the positive intention and ability to hold them to maturity. After initial measurement, held to maturity investments are measured at amortised cost using the effective interest rate method, less, impairment. The effective interest rate amortisation is included as finance income in the statement of profit or loss. The losses arising from impairment are recognised in the statement of profit or loss as finance costs. ZAMCO's investments in treasury bills and other deposits have been classified as held to maturity.

3.6.6 Financial liabilities

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. Financial liabilities are recognised when ZAMCO becomes party to the contractual provisions of the instrument. Financial liabilities are initially recognised at fair value, generally being their issue proceeds net of transaction costs incurred.

The best evidence of fair value on initial recognition is the transaction price, unless the fair value is evidenced by comparison with other observable current market transactions in the same instrument or based on discounted cash flow models and option-pricing valuation techniques whose variables include only data from observable markets.

ZAMCO's main financial liabilities include treasury bills received, loans, payables and foreign loans.

Subsequent measurement.

The measurement of financial liabilities depends on their classification as described below

3.6.6.1 Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss. Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. Gains or losses on liabilities held

ZIMBABWE ASSET MANAGEMENT CORPORATION (PRIVATE) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2015

for trading are recognised in the statement of profit or loss.

Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in IAS 39 is met. ZAMCO has not designated any financial liability as fair value through profit or loss.

3.6.6.2 Loans and Borrowings

This the category most relevant to ZAMCO. After initial measurement, interest bearing loans and borrowings are subsequently measured at amortised cost using the effective interest (EIR) method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as interest expense in the statement of profit or loss.

This category generally applies to interest bearing loans and borrowings.

3.6.7 Offsetting financial instruments

ZAMCO offsets financial assets and financial liabilities and reports the net balance in the statement of financial position where there is a legally enforceable right to set off and there is an intention to settle on a net basis or to realize the financial assets and settle the financial liability simultaneously and the maturity date for the financial assets and liabilities are the same and the financial assets and liabilities are denominated in the same currency.

3.6.8 Impairment of financial assets

At each reporting date, ZAMCO assesses whether there is objective evidence that a financial asset or a group of financial assets is impaired.

ZAMCO considers objective evidence of impairment as:

- (i) Insolvency/financial difficulties on the part of a debtor;
- (ii) Delinquency by counterparty.
- (i) Breach of loan covenants or conditions.
- (ii) Deterioration of borrowers competitive position.
- (iii) Deterioration in the value of collateral.
- (iv) Renegotiation of loans to be on terms that ZAMCO would not otherwise consider.

A financial asset or group of financial assets is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset and that loss event had a negative effect on the estimated future cash flows of the financial asset or group of financial assets that can be estimated reliably.

ZAMCO first assesses whether there is objective evidence of impairment individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. Loans and advances are analysed on a case by case basis taking into account breaches of key loan conditions in accordance with Banking Regulations SI 205 of 2000. Impairment allowances on individually assessed accounts are determined by an evaluation of the impairment at reporting date on a case by case basis, and are applied to all significant accounts. The assessment normally encompasses collateral held and the anticipated receipts for that account.

Increases in loan impairments and any subsequent reversals thereof, or recoveries of amounts previously impaired, are reflected in profit or loss. Previously impaired advances are written off once all reasonable attempts at collection have been made and there is no realistic prospect of recovering outstanding amounts. Any subsequent reductions in amounts previously impaired are reversed by adjusting the allowance account with the amount of the reversal recognised as a reduction in impairment for credit losses in profit or loss. Subsequent recoveries of previously written

ZIMBABWE ASSET MANAGEMENT CORPORATION (PRIVATE) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2015

off advances are recognised in profit or loss.

3.7 Derecognition of financial assets and financial liabilities

ZAMCO derecognises a financial asset when it loses control over the contractual rights that comprise the financial assets and transfers substantially all the risks and benefits associated with the financial asset. This arises when the rights are either realised, or they expire or are surrendered.

ZAMCO derecognises a financial liability when the obligation specified in the contract is discharged, cancelled or expired.

On derecognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount of the portion of the asset to be transferred), and the sum of (i) the consideration received (including any new asset obtained less any new liability assumed, and (ii) any cumulative gain that had been recorded in other comprehensive income is recognised in profit or loss.

3.8 Investments in subsidiaries and joint ventures

A subsidiary is an investment in an entity wherein ZAMCO controls the investee. ZAMCO controls an investee when it has power to govern the financial and operating policies, is exposed to variable returns from its involvement with the investee and has ability to use its power to affect the amount of the investee's returns.

A joint venture is a contractual arrangement entered into by ZAMCO and other parties to share control of an economic activity. The strategic financial and operating decisions relating to the economic activity require the consent of ZAMCO and other parties.

Investments in subsidiaries and joint ventures are stated at deemed cost. Subsequent to initial recognition, the investments in subsidiaries or joint ventures are carried at cost less any accumulated impairment.

3.9 Provisions

Provisions are recognised when ZAMCO has a present legal or constructive obligation as a result of past events, 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.

3.10 Operating leases

ZAMCO has entered into commercial property leases on its investment property portfolio. ZAMCO has determined, based on an evaluation of the terms and conditions of the arrangements, such as the lease term not constituting a substantial portion of the economic life of the commercial property, that it retains all the significant risks and rewards of ownership of these properties and accounts for the contracts as operating leases. Rental income and expenditure under operating leases is accounted for through profit or loss on a straight line basis, over the period of the lease.

3.11 Fair value measurement

ZAMCO measures non-financial assets, such as investment properties, at fair value at each balance sheet date. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible by ZAMCO. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest. ZAMCO uses valuation techniques that

ZIMBABWE ASSET MANAGEMENT CORPORATION (PRIVATE) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2015

are appropriate in the circumstances and for which sufficient data is available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1. Quoted (unadjusted) market prices in active markets for identical assets or liabilities.
- Level 2. Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.
- Level 3. Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognised in the financial statements on a recurring basis, ZAMCO determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

3.12 STANDARDS AND INTERPRETATIONS IN ISSUE BUT NOT YET EFFECTIVE

At the date of authorisation of these financial statements the following standards, amendments to existing standards and interpretations were in issue, but not yet effective up to the date of issuance of ZAMCO's financial statements:

IFRS 9 "Financial Instruments"

(effective for annual periods beginning on or after 1 January 2018, with early application permitted), issued on 24 July 2014 is the IASB's replacement of IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 includes requirements for recognition and measurement, impairment,

derecognition and general hedge accounting.

Classification and Measurement

IFRS 9 introduces new approach for the classification of financial assets, which is driven by cash flow characteristics and the business model in which an asset is held. This single, principle-based approach replaces existing rule-based requirements under IAS 39. The new model also results in a single impairment model being applied to all financial instruments.

Impairment

IFRS 9 has introduced a new, expected-loss impairment model that will require more timely recognition of expected credit losses. Specifically, the new Standard requires entities to account for expected credit losses from when financial instruments are first recognised and to recognise full lifetime expected losses on a more timely basis.

Hedge accounting

IFRS 9 introduces a substantially-reformed model for hedge accounting, with enhanced disclosures about risk management activity. The new model represents a significant overhaul of hedge accounting that aligns the accounting treatment with risk management activities.

Own credit

IFRS 9 removes the volatility in profit or loss that was caused by changes in the credit risk of liabilities elected to be measured at fair value. This change in accounting means that gains caused by the deterioration of an entity's own credit risk on such liabilities are no longer recognised in profit or loss. ZAMCO does not expect the revised standard to have material financial impact in future financial statements.

IFRS 14 "Regulatory Deferral Accounts" (Effective for annual periods beginning on or after 1 January 2016), published by IASB on 30 January 2014.

This Standard is intended to allow entities that

ZIMBABWE ASSET MANAGEMENT CORPORATION (PRIVATE) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2015

are first-time adopters of IFRS, and that currently recognise regulatory deferral accounts in accordance with their previous GAAP, to continue to do so upon transition to IFRS.

Entities that adopt IFRS 14 must present the regulatory deferral accounts as separate line items on the statement of financial position and present movements in these account balances as separate line items in the statement of profit or loss and other comprehensive income. The standard requires disclosures on the nature of, and risks associated with, the entity's rate-regulation and the effects of that rate-regulation on its financial statements. The amendment to IFRS 14 has no impact on ZAMCO, since ZAMCO is an existing IFRS preparer.

IFRS 15 "Revenue from Contracts with Customers" (effective for annual periods beginning on or after 1 January 2017), published by IASB on 28 May 2014. IFRS 15 specifies how and when an IFRS reporter will recognise revenue as well as requiring such entities to provide users of financial statements with more informative, relevant disclosures. The standard supersedes IAS 18 "Revenue", IAS 11 "Construction Contracts" and a number of revenue-related interpretations. Application of the standard is mandatory for all IFRS reporters and it applies to nearly all contracts with customers: the main exceptions are leases, financial instruments and insurance contracts. The core principle of the new Standard is for companies to recognise revenue to depict the transfer of goods or services to customers in amounts that reflect the consideration (that is, payment) to which the company expects to be entitled in exchange for those goods or services. The new Standard will also result in enhanced disclosures about revenue, provide guidance for transactions that were not previously addressed comprehensively (for example, service revenue and contract modifications) and improve guidance for multiple-element arrangements. ZAMCO does not expect the standard to have material financial impact in future financial statements.

Amendments to IFRS 11 "Joint Arrangements" – Accounting for Acquisitions of Interests in Joint Operations published by IASB on 6 May 2014.

The amendments add new guidance on how to account for the acquisition of an interest in a joint operation that constitutes a business. The amendments specify the appropriate accounting treatment for such acquisitions. The amendments will not impact ZAMCO as it does not have such arrangements.

Amendments to IAS 1 "Disclosure Initiative" (effective for annual periods beginning on or after 1 January 2016).

The amendments to IAS 1 Presentation of Financial Statements clarify, rather than significantly change, existing IAS 1 requirements. The amendments clarify: The materiality requirements in IAS 1; That specific line items in the statement(s) of profit or loss and OCI and the statement of financial position may be disaggregated; That entities have flexibility as to the order in which they present the notes to financial statements; That the share of OCI of associates and joint ventures accounted for using the equity method must be presented in aggregate as a single line item, and classified between those items that will or will not be subsequently reclassified to profit or loss. Furthermore, the amendments clarify the requirements that apply when additional subtotals are presented in the statement of financial position and the statement(s) of profit or loss and other comprehensive income. The amendments will affect disclosures only and will have no impact on ZAMCO's financial position or performance.

Amendments to IAS 16 "Property, Plant and Equipment" and IAS 38 "Intangible Assets" Clarification of Acceptable Methods of Depreciation and Amortisation (effective for annual periods beginning on or after 1 January 2016), published by IASB on 12 May 2014. Amendments clarify that the use of revenue-based methods to calculate the depreciation of an asset is not appropriate because revenue generated by an

ZIMBABWE ASSET MANAGEMENT CORPORATION (PRIVATE) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2015

activity that includes the use of an asset generally reflects factors other than the consumption of the economic benefits embodied in the asset. Amendments also clarify that revenue is generally presumed to be an inappropriate basis for measuring the consumption of the economic benefits embodied in an intangible asset.

This presumption, however, can be rebutted in certain limited circumstances. The amendments will not impact ZAMCO since ZAMCO does not use revenue based methods to calculate depreciation.

Amendments to IAS 16 "Property, Plant and Equipment" and IAS 41 "Agriculture" - Agriculture: Bearer Plants (effective for annual periods beginning on or after 1 January 2016), published by IASB on 30 June 2014. The amendments bring bearer plants, which are used solely to grow produce, into the scope of IAS 16 so that they are accounted for in the same way as property, plant and equipment. These amendments are not expected to have any impact to ZAMCO as ZAMCO does not have any bearer plants.

Amendments to IAS 27 "Separate Financial Statements" - Equity Method in Separate Financial Statements (effective for annual periods beginning on or after 1 January 2016), Published by IASB on 12 August 2014. The amendments reinstate the equity method as an accounting option for investments in subsidiaries, joint ventures and associates in an entity's separate financial statements. The amendments will not impact ZAMCO's future financial statements.

Amendments to various standards "Improvements to IFRSs (cycle 2010-2012)" published by IASB on 12 December 2013. Amendments to various standards and interpretations resulting from the annual improvement project of IFRS (IFRS 2, IFRS 3, IFRS 8, IAS 16, IAS 24 and IAS 38) primarily with a view to removing inconsistencies and

clarifying wording. The revisions clarify the required accounting recognition in cases where free interpretation used to be permitted. The most important changes include new or revised requirements regarding: (i) definition of 'vesting condition'; (ii) accounting for contingent consideration in a business combination; (iii) aggregation of operating segments and reconciliation of the total of the reportable segments' assets to the entity's assets; (iv) proportionate restatement of accumulated depreciation application in revaluation method and (v) clarification on key management personnel.

(Amendments are to be applied for annual periods beginning on or after 1 July 2014). These improvements will not have an impact on ZAMCO.

Amendments to various standards "Improvements to IFRSs (cycle 2011-2013)" published by IASB on 12 December 2013. Amendments to various standards and interpretations resulting from the annual improvement project of IFRS (IFRS 1, IFRS 3, IFRS 13 and IAS 40) primarily with a view to removing inconsistencies and clarifying wording. The revisions clarify the required accounting recognition in cases where free interpretation used to be permitted. The most important changes include new or revised requirements regarding: (i) meaning of effective IFRSs in IFRS 1; (ii) scope of exception for joint ventures; (iii) scope of paragraph 52 of IFRS 13 (portfolio exception) and (iv) clarifying the interrelationship of IFRS 3 and IAS 40 when classifying property as investment property or owner-occupied property. (Amendments are to be applied for annual periods beginning on or after 1 July 2014). These improvements will not have an impact on ZAMCO.

Amendments to various standards "Improvements to IFRSs (cycle 2012-2014)" published by IASB on 25 September 2014. Amendments to various standards and interpretations resulting from the annual improvement project of IFRS (IFRS 5, IFRS

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7, IAS 19 and IAS 34) primarily with a view to removing inconsistencies and clarifying wording. The revisions clarify the required accounting recognition in cases where free interpretation used to be permitted. Changes include new or revised requirements regarding: (i) changes in methods of disposal; (ii) servicing contracts; (iii) applicability of the amendments to IFRS 7 to condensed interim financial statements; (iv) discount rate: regional market issue; (v) disclosure of information 'elsewhere in the interim financial report'. (Amendments are to be applied for annual periods beginning on or after 1 January 2016). The improvements will not have an impact on ZAMCO.

ZAMCO has elected not to adopt these standards, revisions and interpretations in advance of their effective dates. ZAMCO anticipates that the adoption of these standards, revisions and interpretations will have no material impact on the financial statements of ZAMCO in the period of initial application.

4 CRITICAL JUDGMENTS AND KEY SOURCES OF ESTIMATION IN APPLYING ZAMCO'S ACCOUNTING POLICIES

In the process of applying ZAMCO's accounting policies, the Directors have made the following judgments and estimations that have a significant effect on the amounts recognised in the financial statements.

4.1 Property and equipment values, useful lives, residual values and depreciation rates

ZAMCO's property and equipment are depreciated using depreciation rates, useful lives and residual values estimated by the Directors.

4.2 Going concern

The entity's management has made an assessment of its ability to continue as a going concern and is satisfied that the entity has the resources to continue in business for the foreseeable future. Furthermore, management is not aware of any material uncertainties that may cast significant doubt upon the entity's ability to continue as a going concern. Therefore, the financial statements continue to be prepared on the going concern basis.

4.3 Fair value of financial instruments

Where the fair values of financial assets and financial liabilities recorded on the statement of financial position cannot be derived from active markets, they are determined using a variety of valuation techniques that include the use of mathematical models. The inputs to these models are derived from observable market data where possible, but where observable market data are not available, judgment is required to establish fair values. The judgments include considerations of liquidity and model inputs such as discount rates, prepayment rates, time to maturity and default rate assumptions for debt securities

4.4 Impairment of loans and advances

At each reporting date, ZAMCO reviews the carrying amount of its loans and advances against estimations of the recoverable amount

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NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2015

5 INCOME AND EXPENDITURE**5.1 Interest and Fee income comprise:**

	2015 US\$	2014 US\$
Interest income	4,704,480	-
Facility fees	487,541	-
Management fees	9,571	-
	5,201,592	-

Interest Income is interest earned on Loans Acquired and restructured, with rates ranging between 5-10%. Facility fees are charged at 1% of restructured loan on commencement of facility. Management fees are charged where ZAMCO acts as an agent, at 0.5% of transacted amount.

5.2 Interest and Fee expense comprises:

- interest expense on Treasury bills issued	2,584,966	-
- interest expense on PTA facility	1,678,531	-
- bank charges	690	-
	4,264,187	-

Interest expense consists mainly of interest on Treasury Bills issued for loan acquisitions, which carry a coupon of 5%p.a. payable semi-annually as well as Interest charged on the PTA distressed banks facility which has an interest rate of 8.25%p.a. also payable semi-annually.

5.3 Operating expenses

Operating expenses include:

	2015 US\$	2014 US\$
Auditors' remuneration	30,188	-
Depreciation of property and equipment	14,222	962
Utility bills and telecommunication	7,211	-
Legal fees	18,000	-
Rent & rates	24,040	-
Other expenses	52,218	12,142
Employee benefits	163,257	-
-Salaries and allowances	145,050	-
-Pension & National Social Security Authority contributions	9,679	-
-Leave pay provision	8,528	-
-Directors Fees	149,000	50,410

ZIMBABWE ASSET MANAGEMENT CORPORATION (PRIVATE) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2015

6 IMPAIRMENT OF FINANCIAL ASSETS

An impairment assessment was done as at reporting date, on all the outstanding loans, advances and other assets and there were no impaired assets.

7 PROPERTY AND EQUIPMENT

	Computer Hardware US\$	Computer Software & Fittings US\$	Furniture Equipment US\$	Office US\$	Total US\$
Carrying amount at 1 January 2014	-	-	-	-	-
Additions	11,508	-	-	10,828	22,336
Depreciation Charge	(480)	-	-	(482)	(962)
Carrying amount at 1 January 2015	11,028	-	-	10,346	21,374
Gross carrying amount	11,508	-	-	10,828	22,336
Accumulated depreciation	(480)	-	-	(482)	(962)
Additions	19,018	5,295	12,017	21,945	58,275
Depreciation charge	(5,139)	(805)	(1,202)	(7,076)	(14,222)
Carrying amount at 31 December 2015	24,907	4,490	10,815	25,215	65,427
Gross carrying amount	30,526	5,295	12,017	32,773	80,611
Accumulated depreciation	(5,619)	(805)	(1,202)	(7,558)	(15,184)

8 HELD TO MATURITY INVESTMENTS

Treasury Bills

2015 US\$	2014 US\$
38,283,003	-
38,283,003	-

The Treasury Bills are Government Treasury Bills pledged as security by the Government on the Infrastructure Development Bank of Zimbabwe facility.

9 LOANS AND ADVANCES

Loans and advances
Impairment of financial assets

2015 US\$	2014 US\$
312,464,998	-
-	-
312,464,998	-
2015 US\$	2014 US\$
1,936	5,600
1,936	5,600

10 RECEIVABLES

Trade and Other Receivables

ZIMBABWE ASSET MANAGEMENT CORPORATION (PRIVATE) LIMITED

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For the year ended 31 December 2015

	2015 US\$	2014 US\$
11 CASH AND BANK BALANCES		
Bank Balances	1,332,564	-
Cash at hand	296	-
	<u>1,332,860</u>	<u>-</u>

Cash and Bank Balances comprises cash on hand and demand deposits with local banks

12 SHARE CAPITAL (Authorised and issued)		
Authorised share capital 200 000 ordinary shares at \$0.01	<u>2,000</u>	<u>2,000</u>
Issued Share Capital		
100,000 Ordinary Shares @ \$0.01	1,000	1,000
Share premium	286,521	89,488
	<u>287,521</u>	<u>90,488</u>

ZAMCO's issued share capital is held by the RBZ.

13 LOANS AND BORROWINGS

NAME	RATE	TENURE	SECURITY PLEDGED	2015 US\$	2014 US\$
PTA Bank (Troubled Banks Facility)	8.25	8 Years	-	45,752,427	-
IBDZ Liabilities	-	-	-	38,283,003	-
Reserve Bank of Zimbabwe (Ex-Afreximbank)	5%	8 Years	-	14,875,770	-
TOTAL				<u>98,911,200</u>	<u>-</u>

ZIMBABWE ASSET MANAGEMENT CORPORATION (PRIVATE) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2015

14 TREASURY BILLS

250,123,365

-

These are US Dollar denominated Government of Zimbabwe Treasury Bills issued on behalf of ZAMCO for the acquisition of non-performing loans and payments made by the RBZ to foreign creditors for and on behalf of ZAMCO with respect to interest due. The Treasury Bills attract a coupon of 5%p.a payable semi-annually

15 DEFERRED INCOME

2,028,120

-

Refers to facility fees charged by ZAMCO on restructuring a loan. In accordance with IAS 39, the deferred income is amortised over the lifespan of the facility using the effective interest rate (EIR) method.

16 PAYABLES2015
US\$2014
US\$

Reserve Bank of Zimbabwe Intercompany Balances

209,265

-

Other Payables

173,479

-

Balance for the year

382,744

-

Intercompany balance relates to transactions done by the Reserve Bank of Zimbabwe on behalf of ZAMCO, whilst other payables include legal fees accrued, Audit fees provision and provisions for leave pay

16.1 LEAVE PAY PROVISION

Opening balance 1 January

-

-

Net provisions unutilised

8,528

-

Closing balance 31 December

8,528

-

17 CONTINGENT LIABILITIES, COMMITMENTS AND OTHER CONTINGENCIES

There were no contingent liabilities at year end.

18 CAPITAL COMMITMENTS2015
US\$2014
US\$

Authorised and contracted:

-

-

Total

-

-

ZIMBABWE ASSET MANAGEMENT CORPORATION (PRIVATE) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2015

19 RETIREMENT BENEFIT SCHEMES

19.1 National Social Security Authority (NSSA) scheme

The Employees are also members of a state-managed retirement benefit plan, NSSA, and the contributions to the scheme are made in terms of the National Social Security Authority Act (Chapter 17:04). During the year ZAMCO contributed US\$1,998 towards this plan and the cost is included in the staff costs.

19.2 Recognition of contributions

ZAMCO's obligation with respect to the retirement benefit plan is to make the specific contributions. The contributions to the pension funds are recognized as an expense when they fall due.

	2015 US\$	2014 US\$
19.3 Contributions recognized as an expense during the year National Social Security Authority Scheme	1,998	-
	1,998	-

20 FINANCIAL ASSETS AND RISK MANAGEMENT

ZAMCO has various policies and procedures to manage its risk. Below is a table on classification of ZAMCO's financial assets on certain aspects of its risk management specific to its financial instruments.

20.1 Classification of Financial Assets and Liabilities (2015)

	Held to maturity investments US\$	Financial instruments at amortised Cost US\$	Available for sale US\$	Investments in Subsidiaries US\$	Loans and receivable US\$	Total US\$
Financial Assets						
Loans and advances	-	-	-	-	312,464,998	312,464,998
Receivables	-	-	-	-	1,936	1,936
Held to maturity investments	38,283,003	-	-	-	-	38,283,003
Cash and bank balances	-	-	-	-	1,332,860	1,332,860
Total	38,283,003	-	-	-	313,799,794	352,082,797
Financial Liabilities						
Treasury Bills payable	-	246,112,295	-	-	-	246,112,295
Long term loans & borrowings	-	98,911,200	-	-	-	98,911,200
Other loans	-	4,011,070	-	-	-	4,011,070
Payables	-	382,744	-	-	-	382,744
Total	-	349,417,309	-	-	-	349,417,309

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For the year ended 31 December 2015

20.1 Classification of Financial Assets and Liabilities (2014)

	Held to maturity investments US\$	Financial instruments at amortised Cost US\$	Available for sale US\$	Investments in Subsidiaries US\$	Loans and receivable US\$	Total US\$
Financial Assets						
Loans and advances	-	-	-	-	-	-
Receivables	-	-	-	-	-	-
Held to maturity investments	-	-	-	-	-	-
Cash and bank balances	-	-	-	-	-	-
Total	-	-	-	-	-	-
Financial Liabilities						
Treasury Bills payable	-	-	-	-	-	-
Long term loans & borrowings	-	-	-	-	-	-
Other loans	-	-	-	-	-	-
Payables	-	-	-	-	-	-
Total	-	-	-	-	-	-

20.2 Market price risk

Market price risk is the risk of loss resulting from changes in market conditions and prices. Market price risk includes interest rate risk, currency risk and equity price risk. In its operations, ZAMCO is obliged to accept certain market-related risks which would not be fully compatible with pure commercial practice. ZAMCO nevertheless manages its market risks responsibly, utilising modern technology and appropriate organisational structures and procedures. Exposures and limits are measured continuously and strategies are routinely reviewed by management

20.3 Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. This is managed at both the board and management level through regular policy and benchmarks which relates to interest rate risk management. The majority of ZAMCO's loans and advances facilities are at concessionary rates.

ZAMCO's senior management oversees the management of these risks and they are supported by a committee that advises on such risks and the appropriate risk governance framework for ZAMCO. The committee provides assurance that ZAMCO's financial risk activities are governed by appropriate policies and procedures and that financial risks are identified, measured and managed in accordance with ZAMCO's policies and risk objectives.

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For the year ended 31 December 2015

Listed below are ZAMCO's interest earning assets and interest bearing liabilities:

	2015 US\$	2014 US\$
Financial assets		
Loans and advances	312,464,998	-
Held to maturity investments	38,283,003	-
Total	350,748,001	-
Financial Liabilities		
Loans and borrowings	98,911,200	-
Treasury bills	246,112,295	-
Interest due	4,011,070	-
Total	349,034,565	-

20.4 Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of an exposure will fluctuate because of changes in exchange rates. ZAMCO's assets and liabilities are predominantly held in US\$ (ZAMCO's functional currency) hence reduced currency risk. Therefore ZAMCO is not exposed to currency risk.

20.5 Credit risk

Credit risk is the risk of loss due to the inability or unwillingness of a counterparty to meet its contractual obligations. Credit risk arises from such activities of the Zimbabwe Asset Management Corporation as advances to clients and deposits made with other institutions and the settlement of financial market transactions.

Credit mitigation is employed by ZAMCO through taking collateral mostly in the form of immovable property and other guarantees. ZAMCO is exposed to credit risk from its operating activities, financing activities including deposits with banks and financial institutions, foreign exchange transactions and other financial instruments.

Credit risk from balances with banks and financial institutions is managed by ZAMCO's Investment and Asset Management department in accordance with ZAMCO's policy.

Concentration of credit risk

ZAMCO deals with a variety of clients and its loans and advances are structured and spread among them. In addition, ZAMCO has procedures and policies in place to limit the amount of credit exposure to any counterparty. ZAMCO reviews, on a regular basis, the performance of counterparties and takes action accordingly to ensure that exposure limits are not exceeded. ZAMCO was not exposed to any concentration risk as at year end.

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Credit risk measurement

ZAMCO assesses the probability of default of financial institutions or counterparty using internal rating scale tailored to the various categories of counterparties. The rating scale has been developed internally and combines data analysis with credit officer judgment and is validated, where appropriate, by comparison with externally available information. Clients of ZAMCO are segmented into seven rating classes. ZAMCO's rating scale, which is shown below, reflects the range of default probabilities defined for each rating class. This means that, in principle, exposures migrate between classes as the assessment of their probability of default changes. The rating scale is kept under review and upgraded as necessary. ZAMCO regularly validates the performance of the rating and their predictive power with regard to default events.

ZAMCO's Internal Ratings Scale

ZAMCO's rating grade	Description of the rating
1	Low risk
2	Satisfactory risk
3	Fair risk
4	Watch list
5	Sub-Standard risk
6	Doubtful and bad
7	Loss

	Neither Past Due/nor impaired	Past due not impaired	Past due and impaired	Total
	US\$	US\$	US\$	US\$
Credit risk Analysis 2015				
Cash and bank balances	1,332,860	-	-	1,332,860
Receivables	1,936	-	-	1,936
Loans and advances to clients	301,919,702	10,545,296	-	312,464,998
Total non-derivative assets	303,254,498	10,545,296	-	313,799,794
Credit risk Analysis 2014				
Cash and bank balances	-	-	-	-
Receivables	-	-	-	-
Loans and advances to clients	-	-	-	-
Total non-derivative assets	-	-	-	-

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NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2015

20.6 Credit risk exposure

The table below shows the maximum exposure to credit for the components of the statement of financial position.

	2015 US\$	2014 US\$
Cash and bank balances	1,332,860	-
Receivables	1,936	-
Loans and advances	312,464,998	-
Zimbabwe treasury bills	38,283,003	-
Total	352,082,797	-
Contingent liabilities	-	-
Commitments	-	-
Total	-	-

ZAMCO held collateral worth US\$42.6 million on advances to clients. The collateral held by ZAMCO is in the form of real estate.

20.7 Liquidity risk

Liquidity risk is the risk that an entity may not be able to accommodate decreases in liabilities or to fund increases in assets in full at the time that a commitment or transaction is due for settlement. Due to the multi-currency regime ZAMCO faces liquidity risk on domestic and foreign assets as it does not have capacity to create local currency when required. ZAMCO faces liquidity risk in respect of foreign assets and liabilities and its risk is further compounded by the fact that ZAMCO is undercapitalized. Due to these challenges, it has been difficult for ZAMCO to settle its liabilities as they fall due. However, the Government, through the Ministry of Finance, has pledged continued support to ZAMCO. The Government has started the process of taking over ZAMCO's liabilities.

The table below analyses ZAMCO's financial assets and financial liabilities into relevant maturity groups and the amounts disclosed in the table are the contractual undiscounted cash flows.

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20.7.1 Maturity Analysis (2015)

	On demand 0-3 months	Due between 3-12 months	Due between 1-5 years	Due between 5 years	Due After carrying	Total cost amount
	US\$	US\$	US\$	US\$	US\$	US\$
Non-derivative liabilities						
Loans and borrowings	-	-	4,667,477	33,603,244	60,640,479	98,911,200
Treasury Bills payable	3,315,001	-	13,096,069	-	233,712,295	250,123,365
Payables	382,744	-	-	-	-	382,744
Total non-derivative liabilities	3,697,745	-	17,763,546	33,603,244	294,352,774	349,417,309
Assets held for managing liquidity risk						
Cash and bank balances	1,332,860	-	-	-	-	1,332,860
Held to maturity investments	-	-	-	-	38,283,003	38,283,003
Loans and receivables	10,545,296	728,850	22,334,582	131,157,093	147,699,177	312,464,998
Total assets held for managing liquidity risk	11,878,156	728,850	22,334,582	131,157,093	185,982,180	352,080,861
Net exposure	8,180,411	728,850	4,571,036	97,553,849	(108,370,593)	2,663,552
Non-derivative liabilities						
Loans & borrowings	-	-	-	-	-	-
Treasury Bills	-	-	-	-	-	-
Payables	-	-	-	-	-	-
Total non-derivative liabilities	-	-	-	-	-	-
Assets held for managing liquidity risk						
Cash and bank balances	-	-	-	-	-	-
Held to maturity investments	-	-	-	-	-	-
Available for sale	-	-	-	-	-	-
Loans and receivables	-	-	-	-	-	-
Total assets held for managing liquidity risk	-	-	-	-	-	-
Net exposure	-	-	-	-	-	-

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20.7.3 Default and breaches disclosure

As at reporting date, ZAMCO was not in default for any of the loans and payables.

20.6.4 Secured and unsecured Loans and Advances (2015)

	Security value 2015 US\$	Unsecured value 2015 US\$	Total carrying Amount 2015 US\$
Financial Assets			
Loans and advances to Clients	42,613,960	269,851,038	312,464,998
Other loans and advances	38,283,003	-	38,283,003
Other receivables	-	1,936	1,936
Total	80,869,963	269,852,974	350,749,937

Secured and Unsecured Financial Liabilities

Loans and borrowings	-	98,911,200	98,911,200
Treasury Bills	-	250,123,365	250,123,365
Deposit accounts	-	-	-
Payables	-	382,744	382,744
Total	-	349,417,309	349,417,309

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For the year ended 31 December 2015

20.6.5 Secured and unsecured Loans and Advances (2014)

	Security value 2014 US\$	Unsecured value 2014 US\$	Total carrying Amount 2014 US\$
Financial Assets			
Loans and advances to Clients	-	-	-
Other loans and advances	-	-	-
Other receivables	-	-	-
Total	-	-	-

Secured and Unsecured Financial Liabilities

Loans and borrowings	-	-	-
Treasury Bills	-	-	-
Deposit accounts	-	-	-
Payables	-	-	-
Total	-	-	-

21. CAPITAL MANAGEMENT

ZAMCO's objectives when managing capital which is a broader concept than the equity on the face of financial position, are:

- To safeguard ZAMCO's ability to continue as a going concern so that it can continue to provide
- To maintain a strong capital position necessary for its term financial health, and to support the development of its business.

ZAMCO is not subject to capital requirements by a regulatory body.

The table below summarises the composition of ZAMCO's capital for the year ended 31 December 2015.

	2015 US\$	2014 US\$
Share capital	1,000	1,000
Share premium	286,521	89,488
Accumulated surplus/ (deficit)	415,274	(63,514)
Total	702,795	26,974

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For the year ended 31 December 2015

The movement in share capital and share premium is due to capitalisation of ZAMCO by the Reserve Bank of Zimbabwe and the accumulated loss in 2014 arose from expense incurred before operations began. The allocation of capital between specific business operations is largely driven by optimisation of the return achieved on the capital allocated. The Board of Directors sets the assets and liability management policies which determine the eventual asset allocation dependent on the strategic objectives of ZAMCO.

ZAMCO uses return on capital employed, synergies with other operations and activities, fit with the longer term strategic objectives of ZAMCO and availability of management and other resources in allocating its capital expenditure activities.

ZAMCO's policies in respect of capital management and allocation are reviewed regularly by the Board of Directors.

22. RELATED PARTY INFORMATION

ZAMCO is wholly owned by the Reserve Bank of Zimbabwe. ZAMCO did not have controlling interests any company as at 31 December 2015, or at any point during the year.

22.1 Compensation of key management personnel of ZAMCO.

As required by IAS 24 Related Party Disclosures, key management remuneration and non-Executive Directors' fees are broken down as:

Short-term employee benefits*	176,442	50,410
Post-employment benefits	-	-
Other long-term benefits	-	-
Termination benefits	-	-
Share-based payments	-	-
	176,442	50,410

*The short term benefits comprise of directors' emoluments and key management personnel allowances

22.2 Balances with related parties

Related Party	Relationship	2015 US\$	2014 US\$
RBZ	Parent	2,020,157	-

The movement during the year arose from payments made on behalf of ZAMCO by the RBZ to creditors and suppliers during the year.

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For the year ended 31 December 2015

23. COMPARATIVE FIGURES

Comparative figures are based on the 2014 unaudited financial statements.

24. EVENTS AFTER REPORTING PERIOD

There were no events after reporting period.

25. GOING CONCERN

The Government through the Reserve Bank of Zimbabwe (RBZ) has committed to the operations of ZAMCO by pledging to issue Treasury Bills (TBs) with a face value of US\$500 million for the purchase of Non-Performing Loans.

Moreover, the Government of Zimbabwe and RBZ have committed to the existence of ZAMCO through a provision in the Banking Amendment Bill (2015) which provides for the creation of ZAMCO for the purposes of purchasing non-performing loans. The bill is now awaiting presidential assent before it becomes law.

ZAMCO is wholly owned by the Reserve Bank of Zimbabwe and remains core to the wellbeing of the financial services sector. The entity generates revenue from interest on purchased and restructured loan assets, facilitation and management fees.

ZAMCO recorded a surplus of US\$478,788 (2014 Deficit: US\$63,514), for the year ended 31 December 2015 and as of that date, its total assets were US\$352,148,224 (2014: US\$26,974) whilst total liabilities amounted to US\$351,445,429 (2014: US\$0) as reflected in these financial statements. The financial statements are prepared on the basis of accounting policies applicable to a going concern.

Accordingly, taking into account ZAMCO's performance in the period under review, and future prospects presented by the scope of ZAMCO's mandate, there is reasonable expectation that ZAMCO has adequate resources to continue as a going concern in the foreseeable future.

