



ZIMBABWE ASSET MANAGEMENT CORPORATION GROUP

**AUDITED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018**

**ZIMBABWE ASSET MANAGEMENT CORPORATION GROUP
CONSOLIDATED FINANCIAL STATEMENTS**

For the year ended 31 December 2018

Contents	Page
Directors' Report	3-7
Auditors' Report	8-12
Consolidated Statement of Profit or Loss and Other Comprehensive Income	14
Consolidated Statement of Financial Position	15-16
Consolidated Statement of Changes in Equity	17
Consolidated Statement of Cash Flows	18
Notes to the Consolidated Financial Statements	19-77

ZIMBABWE ASSET MANAGEMENT CORPORATION GROUP DIRECTORS' REPORT

For the year ended 31 December 2018

The Directors of Zimbabwe Asset Management Corporation (Private) Limited and its subsidiaries have pleasure in submitting their report for the financial year ended 31 December 2018.

1. NATURE OF BUSINESS

- 1.1** Zimbabwe Asset Management Corporation Group ("the Group", "the ZAMCO Group") represents Zimbabwe Asset Management Corporation (Private) Limited, ("the company" or "parent") and all entities under its control. The Group is ultimately controlled by the Reserve Bank of Zimbabwe.

The Group is principally engaged in asset management, sugar refinery and marketing, production of sugar-related products as well as ownership and management of investment properties.

2. DIRECTORS' RESPONSIBILITY STATEMENT

The Directors are responsible for the preparation and integrity of financial statements that present the state of affairs of the Group as at 31 December 2018. These include the consolidated 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 the Group and to prevent and detect fraudulent activities. The internal control systems were 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 Group are prepared in accordance with International Financial Reporting Standards (IFRS). 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 'notes 3-4' 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.

The accounting policies are prepared on the basis of IFRS.

The audited Group financial statements are presented in United States dollars (US\$). These were audited by our independent auditors, Ernst & Young, (for all companies under the Group) who were given unrestricted access to all the accounting records and supporting documentation.

**ZIMBABWE ASSET MANAGEMENT CORPORATION GROUP
DIRECTORS' REPORT**

For the year ended 31 December 2018

3. COMPOSITION OF BOARDS OF DIRECTORS AND COMMITTEES

The following is the composition of the ZAMCO Board of Directors, as well as the various board committees. The Board is made up of non-executive directors only.

SN	NAME	DESIGNATION	STATUS
1	Mr. B. Mswaka	- Board Chairperson - Chairperson – HR* Committee - Committee Member : Credit and Debt Restructuring Committee	Independent Non-Executive Director
2	Dr. J. T. Chipika	- Committee Member : Audit Committee	Non-Executive Director - Appointed w.e.f 1 September 2018
3	Mr. A. Saburi	- Committee Member : HR* & Credit and Debt Restructuring Committees	Non-Executive Director
4	Mr. N. Mataruka	- Committee Member : HR* & Credit and Debt Restructuring Committees	Non-Executive Director
5	Mr.E.M. Zvandasara	- Committee Member : Audit Committee	Non-Executive Director
6	Mrs. V. Nyemba	- Committee Member: Audit & Credit and Debt Restructuring Committees	Independent Non-Executive Director
7	Mr. D. Psillos	- Committee Member : Credit and Debt Restructuring Committee	Independent Non-Executive Director
8	Mr. S.T. Biyam	- Committee Member: Audit & Credit and Debt Restructuring Committees	Independent Non-Executive Director
9	Mr. R.G. Muirimi	- Chairperson – Credit and Debt Restructuring Committee	Independent Non-Executive Director
10	Mr. J.M. Chikura	- Chairperson – Audit Committee	Independent Non-Executive Director

* Human Resources

**ZIMBABWE ASSET MANAGEMENT CORPORATION GROUP
DIRECTORS' REPORT**

For the year ended 31 December 2018

The following is the composition of the StarAfrica Corporation Limited Board of Directors. The Board is made up of executive and non-executive directors.

SN	NAME	DESIGNATION	STATUS
1	Mr. J. S. Mutizwa	- Board Chairperson	Non-Executive Director
2	Mr. R. J. Mbire	- Vice Chairperson	Non-Executive Director
3	Mr. J. M. Chikura	- Board Member	Non-Executive Director
4	Mrs. V. Nyemba	- Board Member	Non-Executive Director
5	Mr. B. L. Nkomo	- Board Member	Non-Executive Director
6	Mr. M. Sibanda	- Board Member	Non-Executive Director
7	Mr. S. Mahuni	- Board Member	Non-Executive Director
8	Mr. R. V. Mutyiri	- Chief Executive Officer	Executive Director
9	Mr. A. J. Musemburi	- Company Secretary	Executive Director
10	Mr. K. M. Chipangura	- Finance Director	Executive Director

**ZIMBABWE ASSET MANAGEMENT CORPORATION GROUP
DIRECTORS' REPORT**

For the year ended 31 December 2018

4. ACCOUNTING POLICIES

The accounting policies adopted by the Group are set out in 'notes 3-4' to the financial statements.

5. RESULTS OF THE GROUP'S OPERATIONS

The Group recorded a profit after impairment and tax for the year of **US\$79,071,519 (2017 Loss: US\$117,912,607)**. The increase largely arose from impairment reversals and fair value adjustments on assets that are carried at fair value. The profit was as a result of normal operations of the Group companies during the period under review.

6. IMPAIRMENT OF FINANCIAL ASSETS

The Group's impairment of financial assets is mainly based on the security that underlies particular financial assets. In accordance with IFRS 9, most of the Group's financial assets are classified in stage 3 and were purchased as credit impaired assets. As at year end, the Group conducted revaluations of all security held. A thorough examination of each loan and underlying security was conducted at year end and it resulted in an impairment reversal of \$43,852,346 at year end.

**ZIMBABWE ASSET MANAGEMENT CORPORATION GROUP
DIRECTORS' REPORT**

For the year ended 31 December 2018

7. GOING CONCERN

The Directors have assessed the ability of the Group to continue operating as a going concern. They are satisfied that preparation of the financial statements on a going concern basis is still appropriate. The Directors have committed themselves to the continual assessment of the appropriateness of applying the going concern in the preparation of the financial statements of the Group. The Directors have also assessed the potential sensitivity to the financial position of the Group arising from exchange rate variances. These have been deemed to have minimal impact on the ability of the Group to continue operating as a going concern as almost all assets and liabilities held are in matched currencies.

Based on the Group's financial performance, maturity profile for its financial assets and liabilities, cashflow management, support from the Government and RBZ, the Group's Directors conclude that the Group will continue to realise its assets and liabilities in the ordinary course of business. These financial statements are therefore prepared on that basis.

8. APPROVAL OF FINANCIAL STATEMENTS

The financial statements which appear on pages 14 to 77 were approved by the Directors on 28 August 2019 and the Directors authorised the following officials to sign the financial statements:



Mr. B. Mswaka
Chairman of the Board



Mr. W. Madera
Company Secretary



Dr. C. Kanhai
Chief Executive Officer



Mr. T. Muzariri
Chief Finance Officer

Date: 28 August 2019

Independent Auditor's Report

To the Shareholders of Zimbabwe Asset Management Corporation (Private) Limited

Report on the Audit of the Consolidated Financial Statements

Adverse Opinion

We have audited the consolidated and company financial statements of Zimbabwe Asset Management Corporation (Private) Limited and its subsidiary (the Group) set out on pages 14 to 77 and 78 to 134, which comprise the consolidated and company statement of financial position as at 31 December 2018, and the consolidated and company statement of comprehensive income, consolidated and company statement of changes in equity and consolidated company statement of cash flows for the year then ended, and notes to the consolidated and company financial statements, including a summary of significant accounting policies.

In our opinion, because of the significance of the matter discussed in the Basis for Adverse Opinion section of our report, the accompanying consolidated and company financial statements do not present fairly the consolidated and company financial position of the Group and Company as at 31 December 2018, and its consolidated and company financial performance and its consolidated and company cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for Adverse Opinion

As explained in note 33 to the financial statements, the functional currency applied by management is the United States Dollar (USD) and the financial statements are presented in USD on the basis that the official exchange rate as at 31 December 2018 between the RTGS Dollar (RTGS\$) and the United States Dollar (USD) is 1:1.

Zimbabwe witnessed significant monetary and exchange control policy changes in 2016 and increasingly through to 2019. The Reserve Bank of Zimbabwe (RBZ) together with the Ministry of Finance and Economic Development promulgated a series of exchange control operational guidelines and compliance frameworks during this period. Specifically, there was a requirement for banks to separate out FCA RTGS Accounts from the FCA Nostro USD Accounts during October 2018. Although the rate was legally pegged at 1:1, multiple pricing practices and other transactions observed and reported publicly indicated exchange rates other than 1:1 between RTGS and the USD amounts. Finally, in February 2019 there was a Monetary Policy statement which introduced the RTGS Dollar (RTGS\$) and the interbank foreign exchange market.

These events triggered the need for reporting entities to assess whether there was a change in functional currency (from USD to RTGS\$) and the 1:1 RTGS\$: USD exchange rate as at and prior to the 31 December 2018 year end.

Based on International Financial Reporting Standards IAS 21-*The Effects of Changes in Foreign Exchange Rates* ("IAS 21") the functional currency of an entity is the currency of the primary economic environment in which the entity operates and reflects the underlying transactions, events and conditions that are relevant to it. In addition, paragraph 2.12 of the *Conceptual Framework for Financial Reporting* ("the Conceptual Framework") prescribes that for financial information to be useful, it "must not only represent relevant phenomena, but it must also faithfully represent the substance of the phenomena that it purports to represent."

In many circumstances, the substance of an economic phenomenon and its legal form are the same. If they are not the same, providing information only about the legal form would not faithfully represent the economic phenomenon."

In addition, International Financial Reporting Standards IAS10 - *Events after the Reporting Period* ("IAS 10") also requires an entity to adjust the amounts recognised in its financial statements to reflect events after the reporting period that provide evidence of conditions that existed at the end of the reporting period.

We believe that events in the market and subsequent promulgation of the RTGS\$ as a formal currency supports that there was a change in functional currency from USD to RTGS\$ and that transactions in the market indicated a different rate between the two currencies despite the legal 1:1 RTGS\$: USD exchange rate and this occurred prior to the 31 December 2018 year end. This impacts the basis for measuring transactions that occurred between 01 October and 31 December 2018, the valuation of assets and liabilities at yearend as well as the accounting for foreign exchange differences. We believe that the consolidated and company financial statements are required to be adjusted for these changes and that it is inappropriate to provide note disclosures as a proxy for adjusting the financial statements as this is not in conformity with IAS 10.

The financial statements of the group and company include balances and transactions denominated in RTGS\$ that were not converted to USD at an RTGS\$: USD exchange rate that reflects the economic substance of its value as required by International Financial Reporting Standards ("IFRS"). This is because management applied the legal rate of 1:1 as pronounced by Statutory Instrument 133 of 2016, Statutory Instrument 33 of 2019 and the Monetary Policy Statements of the 22nd of February 2018, 1st of October 2018 and 20th of February 2019. Management have provided more information on their approach in Note 33 to the financial statements.

In terms of IAS 21, foreign currency monetary items shall be translated using the closing rate, non-monetary items that are measured in terms of historical cost in a foreign currency shall be translated using the exchange rate at the date of the transaction; and non-monetary items that are measured at fair value in a foreign currency shall be translated using the exchange rates at the date when the fair value was measured. Foreign currency transactions shall be recorded, on initial recognition in the functional currency, by applying to the foreign currency amount the spot exchange rate between the functional currency and the foreign currency at the date of the transaction.

Therefore, had RTGS\$ been designated as the functional currency and a different RTGS\$: USD currency rate been determined and applied by management, virtually every account in, and the information provided by way of notes to, the accompanying financial statements, would have been materially different. The effects of the departure from IFRS are pervasive to the financial statements and have not been quantified.

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

Key Audit Matters

Except for the matter described in the Basis for Adverse Opinion section, we have determined that there are no other key audit matters to communicate in our report.

Other information

The directors are responsible for the other information. The other information comprises the Directors' report but does not include the financial statements and our auditors report thereon.

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

In connection with our audit of the consolidated and company financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated and company financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. As described in the Basis for Adverse Opinion section above, the Group and the Company did not comply with the requirements of IAS 21 - Effects of Changes in Foreign Exchange Rates. We have concluded that the other information is materially misstated for the same reason with respect to the amounts or other items in the Directors' Report affected by the failure to comply with the referred standard.

Responsibilities of the Directors for the Consolidated Financial Statements

The directors are responsible for the preparation and fair presentation of the consolidated and company financial statements in accordance with International Financial Reporting Standards and the requirements of the Companies Act (Chapter 24:03), and for such internal control as the directors determine is necessary to enable the preparation of consolidated and company financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated and company financial statements, the directors are responsible for assessing the group and company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group and the company or to cease operations, or have no realistic alternative but to do so.

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

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

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

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

Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated and company financial statements. We are responsible for the direction, supervision and performance of the group and company audit. We remain solely responsible for our audit opinion.

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

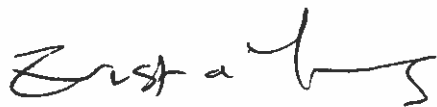
We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

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

Report on Other Legal and Regulatory Requirements

In our opinion, because of the significance of the matter discussed in the Basis for Adverse Opinion section of our report, the accompanying consolidated and company financial statements have not in all material respects, been properly prepared in compliance with the disclosure requirements of and in the manner required by the Companies Act (Chapter 24:03).

The engagement partner on the audit resulting in this independent auditor's report is Mr. David Marange (PAAB Practicing Certificate Number 0436).



Ernst & Young
Chartered Accountants (Zimbabwe)
Registered Public Auditor

Harare

Date: 28/08/2019

**ZIMBABWE ASSET MANAGEMENT CORPORATION GROUP
CONSOLIDATED FINANCIAL STATEMENTS**

For the year ended 31 December 2018

These financial statements were prepared by the finance department of Zimbabwe Asset Management Corporation (Private) Limited, under the direction and supervision of the Chief Finance Officer, Tatenda Muzariri (FCCA) (PAAB Number 04011).

ZIMBABWE ASSET MANAGEMENT CORPORATION GROUP
CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE
INCOME

For the year ended 31 December 2018

	Notes	2018 US\$	2017 US\$
Interest and commission income	6.1	59,547,960	60,715,450
Revenue from contracts with customers	6.2	72,253,608	-
Total revenue		131,801,568	60,715,450
Interest and commission expense	6.3	(53,987,407)	(47,725,714)
Cost of sales		(54,257,122)	-
Gross profit		23,557,039	12,989,736
Other income	6.4	3,923,350	94,086
Operating costs	6.5	(14,535,503)	(1,180,731)
Profit for the year before impairment of financial assets		12,944,886	11,903,091
Financial assets impairment reversal/(allowance)	7	43,852,346	(129,815,698)
Share of profit of associate		1,289,769	-
Exchange loss on foreign payments		(2,267,557)	-
Fair value adjustment on investment property	16	25,410,717	-
Restructuring costs		(869,581)	-
Profit/(loss) before taxation		80,360,580	(117,912,607)
Taxation	6.6	(1,289,061)	-
Profit/ (loss) for the year		79,071,519	(117,912,607)
Other comprehensive income (OCI)	6.7	5,397,460	-
Total comprehensive profit/(loss) for the year		84,468,979	(117,912,607)
Total comprehensive income /(loss) attributable to:			
Equity holders of the parent		78,270,044	(117,912,607)
Non controlling interest		6,198,935	-
		84,468,979	(117,912,607)

ZIMBABWE ASSET MANAGEMENT CORPORATION GROUP
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 31 December 2018

	Notes	2018 US\$	2017 US\$
Assets			
Cash and bank balances	8	38,597,611	7,579,775
Receivables	9	8,456,698	443,037
Debt-asset conversion assets	11.2	77,875,428	87,867,136
Loans and advances	11.1	624,876,908	650,750,835
Preference shares held	12	9,943,579	72,063,176
Investment in associate	10	2,454,629	-
Financial securities	13	42,771,689	40,721,028
Assets under development	14	312,620	-
Inventories	15	5,656,872	-
Investment property	16	48,718,334	-
Property, plant and equipment	18	27,133,577	522,106
Goodwill	17	34,350,077	-
Total Assets		921,148,022	859,947,093
Equity and Liabilities			
Capital and reserves			
Share capital	19	1,000	1,000
Share premium	19	35,286,521	286,521
Non distributable reserve		3,163,007	-
Equity component of compound instruments		(136,799)	-
Accumulated loss	20	(294,290,180)	(115,003,952)
Total Shareholders funds		(255,976,451)	(114,716,431)
Non Controlling interest		10,108,409	-
Liabilities			
Loans and borrowings	21	156,957,540	375,071,031
Treasury bills in issue	22	978,633,366	593,433,757
Deferred income	23	4,690,076	5,475,229
Deferred tax liability	24	2,954,507	-
Payables	25	23,780,575	683,507
Total liabilities		1,167,016,064	974,663,525
Total equity and liabilities		921,148,022	859,947,093

**ZIMBABWE ASSET MANAGEMENT CORPORATION GROUP
CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

As at 31 December 2018



Mr. B. Mswaka
Chairman of the Board



Mr. W. Madera
Company Secretary



Dr. C. Kanhai
Chief Executive Officer



Mr. T. Muzariri
Chief Finance Officer

Date: 28 August 2019

ZIMBABWE ASSET MANAGEMENT CORPORATION GROUP
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2018

	Share Capital	Share Premium	Distributable Reserve	Equity Component of compound financial instrument	Accumulated Profit/(Loss)	Noncontrolling Interest	Total
	US\$	US\$	US\$	US\$	US\$	US\$	US\$
Audited 31 December 2016	1,000	286,521	-	-	2,908,655	-	3,196,176
Loss for the year	-	-	-	-	(117,912,607)	-	(117,912,607)
Audited 31 December 2017	1,000	286,521	-	-	(115,003,952)	-	(114,716,431)
Impact of adopting IFRS 9	-	-	-	-	(254,393,265)	-	(254,393,265)
Restated balance as at 01 January 2018	1,000	286,521	-	-	(369,397,217)	-	(369,109,696)
Acquired on consolidation	-	-	-	-	-	2,574,552	2,574,552
Profit for the year	-	-	-	-	75,107,037	3,964,482	79,071,519
Other comprehensive income	-	-	3,163,007	-	-	2,234,453	5,397,460
Equity component on conversion	-	-	-	(136,799)	-	(96,639)	(233,438)
Debt to equity conversion*	-	-	-	-	-	1,431,561	1,431,561
Capital contribution	-	35,000,000	-	-	-	-	35,000,000
Balance at 31 December 2018	1,000	35,286,521	3,163,007	(136,799)	(294,290,180)	10,108,409	(245,868,042)

*These represent Star Africa Corporation creditors who converted to equity at year-end through a scheme of arrangement.

ZIMBABWE ASSET MANAGEMENT CORPORATION (PRIVATE) LIMITED
CONSOLIDATED STATEMENT OF CASH FLOWS
For the year ended 31 December 2018

	NOTES	2018 US\$	2017 US\$
CASH FLOWS FROM OPERATING ACTIVITIES			
Operating cash flows			
Profit/(loss) for the year		80,360,580	(117,912,67)
Adjustment for items not affecting cash flows			
-Depreciation	18	1,104,697	82,954
-Allowances for credit losses		(43,979,388)	-
-Valuation gain on investment property	16	(25,410,717)	-
-Finance cost		2,757,113	-
-Profit on disposal of property, plant and equipment		(179,478)	-
-Interest on payables included in finance costs		(356,066)	-
-Unrealised exchange loss		2,667,982	-
-Share of profit of an associate		(1,289,769)	-
-Other non-cash items		(49,892)	-
Net cash inflow from operating activities		15,625,062	(372,213,423)
Decrease in receivables		239,915,335	85,906,683
(Increase) in inventories		(2,176,186)	-
(Decrease) /Increase in payables		(240,616,392)	33,115,202
Interest paid		(1,787,914)	-
Income taxes paid		(1,395,585)	-
Cash generated from operations		9,564,320	1,192,232
CASH FLOWS FROM INVESTING ACTIVITIES			
Investing activities			
Purchase of property, plant and equipment	18	(819,903)	(438,972)
Acquisition of portfolio investments	22.1	(391,007,942)	(160,089,283)
Investment property additions	16	(15,952,617)	-
Proceeds from sale of managed assets		191,478	-
Dividends received from associate		2,078,396	-
Net cash from investing activities		(405,510,588)	(160,528,255)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from long term borrowings		391,007,942	160,089,283
Shareholder capital injection		35,000,000	-
Payment of long-term borrowings		(160,292)	-
Net cash from financing activities		425,847,650	160,089,283
NET INCREASE IN CASH AND CASH EQUIVALENTS		29,901,382	753,260
Cash and cash equivalents at beginning of the year		7,579,775	6,826,515
Cash and cash equivalents acquired on consolidation		1,116,454	-
Cash and cash equivalents at end of the year	8	38,597,611	7,579,775

ZIMBABWE ASSET MANAGEMENT CORPORATION GROUP NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

1. REPORTING ENTITY

The Zimbabwe Asset Management Corporation (Private) Limited and its subsidiaries (collectively, the Group) is domiciled in Zimbabwe, with entities incorporated and operating in Zimbabwe. The service address for the Group is 5th Floor, Hardwicke House, 72-74 Samora Machel Avenue, Harare.

1.1. Nature of business

Zimbabwe Asset Management Corporation Group ("the Group", "the ZAMCO Group") represents Zimbabwe Asset Management Corporation (Private) Limited, ("the company" or "parent") and all entities under its control. The Group is ultimately controlled by the Reserve Bank of Zimbabwe.

a) The Group is principally engaged in the resolution of acquired non-performing loans, asset management, land development, sugar refinery and marketing, production of sugar-related products and investment and management of properties.

2. BASIS OF PREPARATION

The consolidated financial statements of the Group are prepared and presented in accordance with the IFRS as issued by the International Accounting Standards Board. The financial statements are prepared under the historical cost basis except for land, buildings, investment property, and financial instruments designated as carried at Fair Value Through Profit and Loss (FVTPL) which are measured at fair value

2.1 Basis of consolidation

The consolidated financial statements comprise the financial statements of the Group and its subsidiaries as at 31 December 2018.

Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the Group has:

- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee).
- Exposure, or rights, to variable returns from its involvement with the investee, and
- The ability to use its power over the investee to affect its returns.

Generally there is a presumption that a majority of voting rights results in control. When the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement(s) with the other vote holders of the investee.
- Rights arising from other contractual arrangements.
- The Group's voting rights and potential voting rights.

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary.

ZIMBABWE ASSET MANAGEMENT CORPORATION GROUP

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

2.1 Basis of consolidation (Continued)

Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the statement of profit or loss and other comprehensive income from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

- Derecognises the assets (including goodwill) and liabilities of the subsidiary.
- Derecognises the carrying amount of any non-controlling interests.
- Derecognises the cumulative translation differences recorded in equity.
- Recognises the fair value of the consideration received.
- Recognises the fair value of any investment retained.
- Recognises any surplus or deficit in profit or loss.
- Reclassifies the parent's share of components previously recognised in OCI to profit or loss or retained earnings, as appropriate, as would be required if the Group had directly disposed of the related assets or liabilities.

2.2 Financial Reporting Framework

The Group presents its consolidated statement of financial position in order of liquidity. The accounting policies are prepared on the basis of IFRS.

2.3 Use of estimates and judgments

The preparation of the consolidated 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 historical 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 5 to the financial statements.

ZIMBABWE ASSET MANAGEMENT CORPORATION GROUP
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1 Revenue recognition

Revenue is the increase in economic benefits arising in the course of ZAMCO's ordinary activities during the accounting period in the form of inflows or enhancements of assets or decreases of liabilities that result in an increase in equity, other than those relating to contributions from equity participants.

3.1.1 Interest income

Interest income arises from ZAMCO's lending and money market activities. It is accrued on a time apportionment basis, by reference to the principal outstanding and at the interest rate applicable to the instrument as further explained in note 4.1.10.

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.

3.1.4 Rental income

Rental income arising from operating leases on investment properties is recognised on a monthly basis based on the lease terms which are generally on short term and subject to review after every twelve months. Amounts received from tenants to terminate leases or to compensate for dilapidations are recognised in profit or loss when they arise.

3.1.5 Revenue from contracts with customers

Revenue from contracts with customers is recognised when control of the goods or services is transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services. The Group has generally concluded that it is the principal in its revenue arrangements because it typically controls the goods or services before transferring them to the customer.

3.1.6 Sale of goods

Revenue from sale of goods is recognised at the point in time when control of the asset is transferred to the customer, generally on delivery of the goods. The normal credit term is 30 days upon delivery.

The Group considers whether there are other undertakings in the contract that are separate performance obligations to which a portion of the transaction price needs to be allocated (e.g., warranties, customer loyalty points). In determining the transaction price for the sale of goods, the Group considers the effects of variable consideration, the existence of significant financing components, non-cash consideration, and consideration payable to the customer (if any).

ZIMBABWE ASSET MANAGEMENT CORPORATION GROUP
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

3.1.7 Variable consideration

If the consideration in a contract includes a variable amount, the Group estimates the amount of consideration to which it will be entitled in exchange for transferring the goods to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur when the associated uncertainty with the variable consideration is subsequently resolved. Some contracts for the sale of goods give customers a right of return and volume rebates. The rights of return and volume rebates give rise to variable consideration.

• *Rights of return*

Certain contracts provide a customer with a right to return the goods within a specified period. The Group uses the expected value method to estimate the goods that will not be returned because this method best predicts the amount of variable consideration to which the Group will be entitled. The requirements in IFRS 15 on constraining estimates of variable consideration are also applied in order to determine the amount of variable consideration that can be included in the transaction price. For goods that are expected to be returned, instead of revenue, the Group recognises a refund liability. A right of return asset (and corresponding adjustment to cost of sales) is also recognised for the right to recover products from a customer.

• *Volume rebates*

The Group provides retrospective volume rebates to certain customers once the quantity of products purchased during the period exceeds a threshold specified in the contract. Rebates are offset against amounts payable by the customer. To estimate the variable consideration for the expected future rebates, the Group applies the most likely amount method for contracts with a single-volume threshold and the expected value method for contracts with more than one volume threshold. The selected method that best predicts the amount of variable consideration is primarily driven by the number of volume thresholds contained in the contract. The Group then applies the requirements on constraining estimates of variable consideration and recognises a refund liability for the expected future rebates.

3.2 Functional and presentation currency

Following hyperinflation in 2008, Zimbabwe adopted a multi-currency regime that includes the US\$, ZAR, EURO, GBP and Yuan as legal tenders. The US\$ became the principal trading and naturally the functional and presentation currency used by both the government and private entities.

In 2016, the RBZ introduced an export incentive that was backed by African Export-Import Bank Bank. The incentive was paid in bond notes, which were introduced specifically for that purpose. The bond note was introduced at par with the US\$. During 2018, ZAMCO mode of payment consisted mainly of US\$ RTGS transfers and bond notes which were rated 1:1 with the US\$. International payments requiring foreign currency were paid for in that currency at a rate of 1:1 with the US\$ throughout the year.

ZIMBABWE ASSET MANAGEMENT CORPORATION GROUP
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.2 Functional and presentation currency

As a result of the above information, the directors have assessed in terms of IAS21 whether there was a change in functional currency during the year. The deliberations focused on whether the aforementioned modes of payments may represent different forms of currency. Accordingly, the directors have concluded that the US\$ was the functional and presentation currency for the year ended 31 December 2018.

3.3 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.

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 Group 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

The Group contributes towards a defined contribution plan. Contributions to this plan are recognised as an expense in the statement of profit or loss and other comprehensive income in the periods in which services are rendered by the employees.

3.3.2 Pension scheme

ZAMCO and its employees contribute 12% and 6% of pensionable earnings respectively to Pension Funds. Employer and employees contribute towards the mandatory National Social Security's Pension Scheme. The funds are defined contribution funds, 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 the Group 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 the Group 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.

ZIMBABWE ASSET MANAGEMENT CORPORATION GROUP
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

3.4 Taxation

3.4.1 Current income tax

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, by the reporting date, in the countries where the Group operates and generates taxable income. Current income tax relating to items recognised directly in equity or other comprehensive income is recognised in equity or other comprehensive income and not in profit or loss. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

3.4.2 Deferred tax

Deferred tax is provided using the liability method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred tax liabilities are recognised for all taxable temporary differences, except:

- Where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint arrangements, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised except:

- When the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

ZIMBABWE ASSET MANAGEMENT CORPORATION GROUP
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.4.2 Deferred tax (Continued)

- In respect of deductible temporary differences associated with investments in subsidiaries associates and interest in joint arrangements, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in profit or loss, other comprehensive income or directly in equity.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

3.4.3 Value Added Tax (VAT)

Revenues, expenses and assets are recognised net of the amount of VAT except:

- Where the VAT incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the VAT is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable.
- Receivables and payables that are stated with the amount of VAT included. The net amount of VAT recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

ZIMBABWE ASSET MANAGEMENT CORPORATION GROUP
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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 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	2% straight line
Plant and Machinery	5%-15% straight line
Computer Equipment	10%-33% straight line
Computer Software	10%-33% straight line
Office Equipment	10%-33% straight line
Furniture and Fittings	10%-33% straight line
Motor vehicles	10%-30% straight line

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.

ZIMBABWE ASSET MANAGEMENT CORPORATION GROUP
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.6 Inventories

Inventories are valued at the lower of cost and net realisable value. Costs incurred in bringing each product to its present location and conditions are accounted for as follows:

- Raw materials: weighted average method.
- Finished goods and work in progress: cost of direct materials and labour and a proportion of manufacturing overheads based on the normal operating capacity, but excluding borrowing costs.
- Consumables: weighted average method.

Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

3.7 Investments

3.7.1 Investment Property

Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the reporting date. Gains or losses arising from changes in the fair values of investment properties are included in profit or loss in the period in which they arise, including the corresponding tax effect. Fair values are determined based on an annual valuation performed by an accredited external independent consultant applying a valuation model recommended by the International Valuation Standards Committee.

Investment properties are derecognised either when they have been disposed of (i.e., at the date the recipient obtains control) or when they are permanently withdrawn from use and no future economic benefit is expected from their disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognised in profit or loss in the period of derecognition. The amount of consideration to be included in the gain or loss arising from the derecognition of investment property is determined in accordance with the requirements for determining the transaction price in

Transfers are made to (or from) investment property only when there is a change in use. For a transfer from investment property to owner-occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner-occupied property becomes an investment property, ZAMCO accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use.

ZIMBABWE ASSET MANAGEMENT CORPORATION GROUP
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.7.2 Business Combinations and Goodwill

Goodwill on acquisitions of subsidiaries represents the excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date carrying amount of any previous equity interest in the acquiree over the carrying amount of the net identifiable assets acquired. Goodwill on subsidiaries is recognised separately as intangible assets and carried at cost less accumulated impairment losses. Goodwill on associated companies is included in the carrying amount of the investments. Gains and losses on the disposal of subsidiaries and associated companies include the carrying amount of goodwill relating to the entity sold

3.7.3 Investment in an associate

The financial results of the Group's associate are included in the group's results according to the equity method from acquisition date until the disposal date. Under this method, subsequent to the acquisition date, the Group's share of profits or losses of associate is charged to profit or loss as equity accounted earnings and its share of movements in other comprehensive income and equity is recognised in other comprehensive income or equity. All cumulative post-acquisition movements in the equity of associates are adjusted against the cost of the investment. When the group's share of losses in associates equals or exceeds its interest in those associates, the group does not recognise further losses, unless the group has incurred a legal or constructive obligation or made payments on behalf of those associates. Goodwill relating to associate is included in the carrying value of the associate and is not amortised or separately tested for impairment.

The total carrying value of associate, including goodwill, is tested for impairment when there is objective evidence that the investment in the associate is impaired. If impaired, the carrying value of the Group's share of the underlying assets of the associate is written down to its estimated recoverable amount in accordance with the accounting policy on impairment and charged to profit or loss. Unrealised gains and losses resulting from transactions between the Group and associate are eliminated to the extent of the interest in the associate.

The associate's accounting policies conform to those used by the Group for like transactions and events in similar circumstances. In the Company financial statements the investment in associate is accounted for at cost.

3.7.4 Investment in subsidiary

The subsidiary's accounting policies conform to those used by the Group for like transactions and events in similar circumstances. In the Company's financial statements the investment in subsidiary's accounted for at fair value.

ZIMBABWE ASSET MANAGEMENT CORPORATION GROUP
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.8 Cash and short term deposits

Cash and short-term deposits in the statement of financial position comprise cash at banks and on hand and short-term deposits with a maturity of three months or less, which are subject to an insignificant risk of changes in value. For the purpose of the consolidated statement of cash flows, cash and cash equivalents consist of cash and short-term deposits, as defined above, net of outstanding bank overdrafts as they are considered an integral part of the Group's cash management. Cash falls into the debt instruments category and are accounted for at amortised cost.

3.9 Leases

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at the inception of the lease. The arrangement is, or contains, a lease if fulfillment of the arrangement is dependent on the use of a specific asset (or assets) and the arrangement conveys a right to use the asset (or assets), even if that asset is (or those assets are) not explicitly specified in an arrangement.

Group as a lessor

The Group has contractual arrangements which do not substantially transfer all the risks and rewards of ownership to third parties utilising those assets. Rental income arising from those arrangements is accounted for on a straight line basis over the term of the arrangement and is included in profit or loss. Contingent rents are recognised as revenue in the period in which they are earned.

3.10 Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the respective assets. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds. During the current year there were no borrowing costs that were capitalized to qualifying assets.

4. CHANGES IN ACCOUNTING POLICY

The Group has adopted IFRS 9 as issued by the IASB in July 2014 with a date of transition of 1 January 2018, which resulted in changes in accounting policies and adjustments to the amounts provided for and recognized in the financial statements. The Group did not early adopt IFRS 9 in previous periods.

As permitted by the transitional provisions of IFRS 9, the Group elected not to restate comparative figures. Any adjustment to the carrying amounts of financial assets and liabilities at the date of transition were recognised in the opening retained earnings and other reserves for the current period.

ZIMBABWE ASSET MANAGEMENT CORPORATION GROUP
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

4. CHANGES IN ACCOUNTING POLICIES (Continued)

Consequently, for notes and disclosure, the consequential amendments to IFRS 7 disclosures have also only been applied to the current period. The comparative period notes disclosures repeat those disclosures made in the prior year.

The adoption of IFRS 9 has resulted in changes in the Group's accounting policies for recognition, classification and measurement of financial assets and financial liabilities and impairment of financial assets. IFRS 9 also significantly amends other standards dealing with financial instruments such as IFRS 7 *Financial Instruments Disclosure*

4.1 Financial instruments

Financial assets and financial liabilities are recognised in the Group's Statement of Financial Position when the Group becomes a party to the contractual provisions of the instrument.

Recognised financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at FVTPL) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

4.1 Financial instruments (Continued)

Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognised immediately in profit or loss.

If the transaction price differs from fair value at initial recognition, the Group will account for such difference as follows:

- if fair value is evidenced by a quoted price in an active market for an identical asset or liability or based on a valuation technique that uses only data from observable markets, then the difference is recognised in profit or loss on initial recognition (i.e. day 1 profit or loss);
- in all other cases, the fair value will be adjusted to bring it in line with the transaction price (i.e. day 1 profit or loss will be deferred by including it in the initial carrying amount of the asset or liability).

After initial recognition, the deferred gain or loss will be released to profit or loss on a rational basis, only to the extent that it arises from a change in a factor (including time) that market participants would consider when pricing the asset or liability.

ZIMBABWE ASSET MANAGEMENT CORPORATION GROUP
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

4. CHANGES IN ACCOUNTING POLICIES (Continued)

4.1.1 Financial Assets and Financial Liabilities

The Group classifies its financial instruments in the following categories: at fair value through profit and loss ("FVTPL"), at fair value through other comprehensive income ("FVTOCI") or at amortized cost. The Group determines the classification of financial assets at initial recognition. The classification of debt instruments is driven by the Group's business model for managing the financial assets and their contractual cash flow characteristics.

Equity instruments that are held for trading are classified as FVTPL, for other equity instruments, the Group can make an irrevocable election (on an instrument-by-instrument basis) to designate them as at FVTOCI.

Financial liabilities are measured at amortized cost, unless they are required to be measured at FVTPL (such as instruments held for trading or derivatives) or the Group has opted to measure them at FVTPL.

Set out below are disclosures relating to the impact of the adoption of IFRS 9 at the Group. Further details of the specific IFRS 9 accounting policies applied in the current period (as well as the previous IAS 39 accounting policies applied in the comparative period) are described in more detail below.

ZIMBABWE ASSET MANAGEMENT CORPORATION GROUP
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

4. CHANGES IN ACCOUNTING POLICIES (Continued)

4.1.2 Classification and Measurement of financial instruments

The measurement category and the carrying amount of financial assets and liabilities in accordance with IAS 39 and IFRS 9 at 1 January 2018 are compared as follows:

Financial Instrument	IAS 39		IFRS 9	
	Classification	Carrying Amount	Classification	Carrying Amount
Assets				
Cash and bank balances	Amortised cost (Loans and receivables)	7,579,775.00	Fair value through profit or loss	7,579,775.00
Receivables	Amortised cost (Loans and receivables)	443,037.00	Amortised Cost	442,232.04
Debt-asset conversion assets	Amortised cost (Loans and receivables)	87,867,136.00	Amortised Cost	84,947,123.73
Loans and advances	Amortised cost (Loans and receivables)	650,750,835.00	Amortised cost	444,214,498
Preference shares held	Amortised cost (Loans and receivables)	72,063,176.00	Amortised cost	27,127,064.17
Financial securities	Amortised cost (Loans and receivables)	40,721,028.00	Fair value through profit or loss	40,721,028.00
Liabilities				
Loans and borrowings	Amortised cost	375,071,031.00	Amortised cost	375,071,031.00
Treasury bills in issue	Amortised cost	593,433,757.00	Amortised cost	593,433,757.00
Payables	Amortised cost	683,507.00	Amortised cost	683,507.00

- There were no changes to the classification and measurement of financial liabilities.

ZIMBABWE ASSET MANAGEMENT CORPORATION GROUP
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

4. CHANGES IN ACCOUNTING POLICIES (Continued)

4.1.3 Reconciliation of Statement of Financial Position balances from IAS 39 to IFRS 9

The Group performed a detailed analysis of its business models for managing financial assets and analysis of their cashflow characteristics. (IFRS 7 par 42J-O).

The following table reconciles the carrying amounts of financial assets from their previous measurement categories in accordance with IAS 39 to their new measurement categories upon transition to IFRS 9 on 1 January 2018.

	IAS 39 Carrying Amount 31 December 2017	Reclassifications	Remeasurements	IFRS 9 carrying amount 1 January 2018
<i>Amortised Cost Financial Assets</i>				
Receivables	443,037.00		(804.96)	442,232.04
Debt-asset conversion assets	87,867,136.00		(2,920,012.27)	84,947,123.73
Loans and advances	650,750,835.00		(206,536,336.90)	444,214,498.10
Preference shares held	72,063,176.00		(44,936,111.83)	27,127,064.17
<i>Fair Value through Profit or Loss Financial Assets</i>				
Cash and bank	7,579,775.00	Loans and receivables to fair value through profit or loss	-	7,579,775.00
Financial securities	40,721,028.00	Loans and receivables to fair value through profit or loss	-	40,721,028.00
<i>Amortised cost Financial Liabilities</i>				
Loans and borrowings	375,071,031.00		-	375,071,031.00
Treasury bills in issue	593,433,757.00		-	593,433,757.00
Payables	683,507.00		-	683,507.00

ZIMBABWE ASSET MANAGEMENT CORPORATION GROUP
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

4 CHANGES IN ACCOUNTING POLICIES (Continued)

As the Group is not restating prior periods, it has recognized the effects of retrospective application to Equity at the beginning of the 2018 annual reporting period that includes the date of initial application. Therefore, the adoption of IFRS 9 resulted in a decrease to opening distributable reserves on January 1, 2018 of \$254 million.

4.1.4 Reconciliation of Impairment Allowance Balance from IAS 39 to IFRS 9

The following table reconciles the prior period's closing impairment allowance measured in accordance with IAS 39 incurred loss model to the new impairment allowance measured in accordance with IFRS 9 expected credit loss (ECL) model at 1 January 2018. (IFRS 7 par 42P)

Measurement Category	Loan Allowance under IAS 39	Loss	Reclassification	Remeasurement	Loan Allowance under IFRS 9	Loss under
Loans and Receivables IAS 39 /Amortised Cost IFRS 9						
Receivables		-	-	(804.96)		(804.96)
Debt-asset conversion assets		-	-	(2,920,012.27)		(2,920,012.27)
Loans and advances	(139,960,572.00)		-	(206,536,336.90)		(346,496,908.88)
Preference shares held				(44,936,111.83)		(44,936,111.83)

4.1.5 Measurement

4.1.5.1 Financial assets at FVTOCI

Elected investments in equity instruments at FVTOCI are initially recognized at fair value plus transaction costs. Subsequently they are measured at fair value, with gains and losses arising from changes in fair value recognized in other comprehensive (loss) income.

4.1.5.2 Financial assets and liabilities at amortized cost

Financial assets and liabilities at amortized cost are initially recognized at fair value, and subsequently carried at amortized cost less any impairment.

ZIMBABWE ASSET MANAGEMENT CORPORATION GROUP
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

4. CHANGES IN ACCOUNTING POLICIES (Continued)

4.1.5.3 Financial assets and liabilities at FVTPL

Financial assets and liabilities carried at FVTPL are initially recorded at fair value and transaction costs are expensed in the statement of comprehensive income. Realized and unrealized gains and losses arising from changes in the fair value of the financial assets and liabilities held at FVTPL are included in the statement of comprehensive income in the period in which they arise. Where management has opted to recognize a financial liability at FVTPL, any changes associated with the entity's own credit risk will be recognized in other comprehensive (loss) income.

4.1.6 Impairment of financial assets at amortized cost

The Group recognizes a loss allowance for expected credit losses on financial assets that are measured at amortized cost. At each reporting date, the Group measures the loss allowance for the financial asset at an amount equal to the lifetime expected credit losses if the credit risk on the financial asset has increased significantly since initial recognition. If at the reporting date, the financial asset has not increased significantly since initial recognition, The Group measures the loss allowance for the financial asset at an amount equal to twelve month expected credit losses.

The Group assesses all information available, including on a forward-looking basis, the expected credit losses associated with its assets carried at amortized cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk. To assess whether there is a significant increase in credit risk, the Group compares the risk of a default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition based on all information available, and reasonable and supportive forward-looking information.

For financial assets, the Group applies the general approach as permitted by IFRS 9 which requires expected lifetime losses to be recognized when there has been a significant increase in credit risk.

Impairment losses on financial assets carried at amortized cost are reversed in subsequent periods if the amount of the loss decreases and the decrease can be objectively related to an event occurring after the impairment was recognized.

4.1.6.1 Definition of default

Critical to the determination of ECL is the definition of default. The definition of default is used in measuring the amount of ECL and in the determination of whether the loss allowance is based on 12-month or lifetime ECL, as default is a component of the probability of default (PD) which affects both the measurement of ECLs and the identification of a significant increase in credit risk.

ZIMBABWE ASSET MANAGEMENT CORPORATION GROUP
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

4. CHANGES IN ACCOUNTING POLICIES (Continued)

The Group considers the following as constituting an event of default:

- the financial asset is past due more than 90 days on any material credit obligation to the Group; or
- the financial asset is unlikely to pay its credit obligations to the Group in full.

The definition of default is appropriately tailored to reflect different characteristics of different types of assets.

When assessing if the borrower is unlikely to pay its credit obligation, the Group considers both qualitative and quantitative indicators. The information assessed depends on the type of the asset and sources of information to assess default which are either developed internally or obtained from external sources.

4.1.6.2 Significant increase in credit risk

The Group monitors all financial assets, contracts that are subject to the impairment requirements to assess whether there has been a significant increase in credit risk since initial recognition. If there has been a significant increase in credit risk, the Group will measure the loss allowance based on lifetime rather than 12-month ECL.

The Group's accounting policy is to use the practical expedient that financial assets with 'low' credit risk at the reporting date are deemed not to have had a significant increase in credit risk.

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument at the reporting date based on the remaining maturity of the instrument with the risk of a default occurring that was anticipated for the remaining maturity at the current reporting date when the financial instrument was first recognised. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort, based on the Group's historical experience and expert credit assessment including forward-looking information.

Multiple economic scenarios form the basis of determining the probability of default at initial recognition and at subsequent reporting dates. Different economic scenarios will lead to a different probability of default. It is the weighting of these different scenarios that forms the basis of a weighted average probability of default that is used to determine whether credit risk has significantly increased.

ZIMBABWE ASSET MANAGEMENT CORPORATION GROUP NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

4. CHANGES IN ACCOUNTING POLICIES (Continued)

4.1.6.3 Write-off

Financial assets are written off when the Group has no reasonable expectations of recovering the financial asset (either in its entirety or a portion of it). This is the case when the Group determines that the borrower does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. A write-off constitutes a derecognition event.

4.1.6.4 Presentation of allowance for ECL in the statement of financial position

Loss allowances for ECL are presented in the statement of financial position for financial assets measured at amortised cost: as a deduction from the gross carrying amount of the assets.

4.1.7 Derecognition

4.1.7.1 Financial assets

The Group derecognizes financial assets only when the contractual rights to cash flows from the financial assets expire, or when it transfers the financial assets and substantially all the associated risks and rewards of ownership to another entity. Gains and losses on derecognition are generally recognized in the statement of comprehensive income. However, gains and losses on derecognition of financial assets classified as FVTOCI remain within the accumulated other comprehensive (loss) income.

4.1.7.2 Financial liabilities

The Group derecognizes financial liabilities only when its obligations under the financial liabilities are discharged, cancelled or expired. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognized in the statements of comprehensive income.

4.1.8 Income

Interest Income

Interest income for all financial instruments except for those designated as at FVTPL is recognised as 'Interest income' in the profit or loss account using the effective interest method. Interest on financial instruments measured as at FVTPL is included within the fair value movement during the period.

ZIMBABWE ASSET MANAGEMENT CORPORATION GROUP NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

4. CHANGES IN ACCOUNTING POLICIES (Continued)

4.1.8 Interest income (Continued)

The effective interest rate (EIR) is the rate that exactly discounts estimated future cash flows of the financial instrument through the expected life of the financial instrument or, where appropriate, a shorter period, to the net carrying amount of the financial asset or financial liability. The future cash flows are estimated considering all the contractual terms of the instrument. The calculation of the EIR includes all fees and points paid or received between parties to the contract that are incremental and directly attributable to the specific lending arrangement, transaction costs, and all other premiums or discounts. For financial assets at FVTPL transaction costs are recognised in profit or loss at initial recognition.

The interest income is calculated by applying the EIR to the gross carrying amount of non-credit impaired financial assets (i.e. at the amortised cost of the financial asset before adjusting for any expected credit loss allowance), or to the amortised cost of financial liabilities. For credit-impaired financial assets the interest income is calculated by applying the EIR to the amortised cost of the credit-impaired financial assets (i.e. the gross carrying amount less the allowance for expected credit losses (ECLs)). For financial assets purchased or originated credit-impaired (POCI) the EIR reflects the ECLs in determining the future cash flows expected to be received from the financial asset.

Income from financial instruments at FVTPL

Income from financial instruments at FVTPL includes all gains and losses from changes in the fair value of financial assets and financial liabilities at FVTPL. The Group has elected to present the full fair value movement of assets and liabilities at FVTPL, including the related interest income, expense and dividends.

4.2 IFRS 15 “Revenue from Contracts with Customers”

IFRS 15 supersedes IAS 11 Construction Contracts, IAS 18 Revenue and related Interpretations and it applies, with limited exceptions, to all revenue arising from contracts with customers. IFRS 15 establishes a five-step model to account for revenue arising from contracts with customers and requires that revenue be recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

IFRS 15 requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract. In addition, the standard requires relevant disclosures.

ZIMBABWE ASSET MANAGEMENT CORPORATION GROUP
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

4. CHANGES IN ACCOUNTING POLICIES (Continued)

4.2 IFRS 15 “Revenue from Contracts with Customers”

The Group adopted IFRS 15 using the modified retrospective method of adoption with the date of initial application of 1 April 2018. Under this method, the standard can be applied either to all contracts at the date of initial application or only to contracts that are not completed at this date. The Group elected to apply the standard to all contracts as at 1 April 2018

The cumulative effect of initially applying IFRS 15 is recognised at the date of initial application as an adjustment to the opening balance of retained earnings. Therefore, the comparative information was not restated and continues to be reported under IAS 11, IAS 18 and related Interpretations.. The effect of adopting IFRS 15 had a nil impact on our opening retained earnings as a result of a decrease in revenue and increase in cost of sales by RTGS\$ 6 186 relating to volume rebates.. Before adopting IFRS 15 the volume rebates were recognised under cost of sales, however, under IFRS 15 volume rebates are netted off against revenue.

Set out below, are the amounts by which each financial statement line item is affected as at and for the year ended 31 March 2019 as a result of the adoption of IFRS 15. The adoption of IFRS 15 did not have a material impact on OCI and the statement of financial position or the Group’s operating, investing and financing cash flows. The first column shows amounts prepared under IFRS 15 and the second column shows what the amounts would have been had IFRS 15 not been adopted.

	Reference	Amounts prepared under		Increase / (decrease)
		IFRS 15	Previous IFRS	
Revenue from contracts with customers	(a)	72 253 608	-	72 253 608
Sale of goods	(a)	-	72 284 004	(72 284 004)
Revenue	(a)	72 253 608	72 284 004	(30 396)
Cost of Sales	(a)	(54 257 122)	(54 287 518)	30 396

(a) The difference is due to the change of the treatment of volume rebates from being part of cost of sales to being netted off against revenue.

**ZIMBABWE ASSET MANAGEMENT CORPORATION GROUP
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

For the year ended 31 December 2018

4. CHANGES IN ACCOUNTING POLICIES (Continued)

4.3 IFRS 15 “Revenue from Contracts with Customers”

IFRIC Interpretation 22 Foreign Currency Transactions and Advance Considerations

The Interpretation clarifies that, in determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the de recognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which an entity initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, then the entity must determine the date of the transactions for each payment or receipt of advance consideration. This Interpretation does not have any impact on the Group’s consolidated financial statements as the principles above were already being applied and the Group did not have multiple payments nor multiple receipts in advance.

Amendments to IAS 40 Transfers of Investment Property

The amendments clarify when an entity should transfer property, including property under construction or development into, or out of investment property. The amendments state that a change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. A mere change in management’s intentions for the use of a property does not provide evidence of a change in use. These amendments have limited impact on the Group’s consolidated financial statements since investment property is measured at fair value and freehold land and buildings is measured under the revaluation model. Therefore, the properties will be transferred at their fair values.

The rest of the accounting policies are consistent with those of the previous financial year.

**ZIMBABWE ASSET MANAGEMENT CORPORATION GROUP
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

For the year ended 31 December 2018

4. CHANGES IN ACCOUNTING POLICIES (Continued)

4.3 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 the Group's financial statements

IFRS 16 Leases

IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under IAS 17.

The standard includes two recognition exemptions for lessees – leases of 'low-value' assets (e.g., personal computers) and short-term leases (i.e., leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset. Lessees will be also required to remeasure the lease liability upon the occurrence of certain events (e.g., a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset. Lessor accounting under IFRS 16 is substantially unchanged from today's accounting under IAS 17. Lessors will continue to classify all leases using the same classification principle as in IAS 17 and distinguish between two types of leases: operating and finance leases. IFRS 16, which is effective for annual periods beginning on or after 1 January 2019, requires lessees and lessors to make more extensive disclosures than under IAS 17. The Group does not anticipate any major impact on adoption of this standard as it the existing lease contracts (as a lessee) are short term (periods of less than 5 months) thus these will continue to be accounted for on a straight line basis

IFRS 17 Insurance Contracts

In May 2017, the IASB issued IFRS 17 Insurance Contracts (IFRS 17), a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, IFRS 17 will replace IFRS 4 Insurance Contracts (IFRS 4) that was issued in 2005.

IFRS 17 is effective for reporting periods beginning on or after 1 January 2021, with comparative figures required. This standard is not applicable to the Group as it affects companies that write insurance contracts, of which such contracts are generally not written by companies outside of the insurance industry.

**ZIMBABWE ASSET MANAGEMENT CORPORATION GROUP
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

For the year ended 31 December 2018

4. CHANGES IN ACCOUNTING POLICIES (Continued)

4.3 STANDARDS AND INTERPRETATIONS IN ISSUE BUT NOT YET EFFECTIVE

IFRIC Interpretation 23 *Uncertainty over Income Tax Treatment*

The Interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of IAS 12 and does not apply to taxes or levies outside the scope of IAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments.

The Interpretation specifically addresses the following:

- Whether an entity considers uncertain tax treatments separately
- The assumptions an entity makes about the examination of tax treatments by taxation authorities
- How an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates
- How an entity considers changes in facts and circumstances

An entity has to determine whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments. The approach that better predicts the resolution of the uncertainty should be followed. The interpretation is effective for annual reporting periods beginning on or after 1 January 2019, but certain transition reliefs are available. The Group will apply the interpretation from its effective date and does not anticipate any significant impact as it operates in just two tax jurisdictions of which it is fairly familiar with and consultations of such have indicated no material issues.

IAS 12 Income Taxes - Income tax consequences of payments on financial instruments classified as equity

The amendments clarify that the income tax consequences of dividends are linked more directly to past transactions or events that generated distributable profits than to distributions to owners. Therefore, an entity recognises the income tax consequences of dividends in profit or loss, other comprehensive income or equity according to where the entity originally recognised those past transactions or events.

An entity applies those amendments for annual reporting periods beginning on or after 1 January 2019. Earlier application is permitted. When an entity first applies those amendments, it applies them to the income tax consequences of dividends recognised on or after the beginning of the earliest comparative period. There is no significant expected impact as the entity was already treating the tax consequences in the same manner.

IAS 23 Borrowing Costs - Borrowing costs eligible for capitalisation

The amendments clarify that an entity treats as part of general borrowings any borrowing originally made to develop a qualifying asset when substantially all of the activities necessary to prepare that asset for its intended use or sale are complete.

An entity applies those amendments to borrowing costs incurred on or after the beginning of the annual reporting period in which the entity first applies those amendments. The Group does not have any qualifying assets.

An entity applies those amendments for annual reporting periods beginning on or after 1 January 2019. Earlier application is permitted.

ZIMBABWE ASSET MANAGEMENT CORPORATION GROUP
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

4. CHANGES IN ACCOUNTING POLICIES (Continued)

4.3 STANDARDS AND INTERPRETATIONS IN ISSUE BUT NOT YET EFFECTIVE

The Conceptual Framework for Financial Reporting

Effective immediately for the IASB and the IFRS IC, for preparers who develop accounting policies based on the Conceptual Framework, it is effective for annual periods beginning on or after 1 January 2020. The revised Conceptual Framework for Financial Reporting (the Conceptual Framework) is not a standard, and none of the concepts override those in any standard or any requirements in a standard.

The purpose of the Conceptual Framework is to assist the Board in developing standards, to help preparers develop consistent accounting policies if there is no applicable standard in place and to assist all parties to understand and interpret the standards.

The Conceptual Framework includes some new concepts, provides updated definitions and recognition criteria for assets and liabilities and clarifies some important concepts. The Conceptual Framework is accompanied by a Basis for Conclusions. The Board has also issued a separate accompanying document, Amendments to References to the Conceptual Framework in IFRS Standards, which sets out the amendments to affected standards in order to update references to the Conceptual Framework. In most cases, the standard references are updated to refer to the Conceptual Framework. There are exemptions in developing accounting policies for regulatory account balances for two standards, namely, IFRS 3 Business Combinations and for those applying IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors.

Definition of a Business - Amendments to IFRS 3

Effective for annual periods beginning on or after 1 January 2020.

The IASB issued amendments to the definition of a business in IFRS 3 Business Combinations to help entities determine whether an acquired set of activities and assets is a business or not. They clarify the minimum requirements for a business, remove the assessment of whether market participants are capable of replacing any missing elements, add guidance to help entities assess whether an acquired process is substantive, narrow the definitions of a business and of outputs, and introduce an optional fair value concentration test.

Since the amendments apply prospectively to transactions or other events that occur on or after the date of first application, the Group will likely not be affected by these amendments on transition. The Group may have to update its accounting policies should it subsequently consider acquisition of a set of activities and assets after first applying the amendments.

**ZIMBABWE ASSET MANAGEMENT CORPORATION GROUP
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

For the year ended 31 December 2018

4. CHANGES IN ACCOUNTING POLICIES (Continued)

4.3 STANDARDS AND INTERPRETATIONS IN ISSUE BUT NOT YET EFFECTIVE

Definition of Material - Amendments to IAS 1 and IAS 8

Effective for annual periods beginning on or after 1 January 2020.

In October 2018, the IASB issued amendments to IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors to align the definition of 'material' across the standards and to clarify certain aspects of the definition. The new definition states that, 'Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.'

The amendments clarify that materiality will depend on the nature or magnitude of information, or both. An entity will need to assess whether the information, either individually or in combination with other information, is material in the context of the financial statements.

Although the amendments to the definition of material is not expected to have a significant impact on an entity's financial statements, the introduction of the term 'obscuring information' in the definition could potentially impact how materiality judgments are made in practice, by elevating the importance of how information is communicated and organised in the financial statements. The Group does will apply the amendments on its assessment of materiality as from effective date.

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

The preparation of the financial statements in accordance with IFRS requires the Group to make estimates and assumptions that affect the reported amounts of assets, liabilities, fund income and expenses and disclosure of contingent resources and contingent liabilities. Future events may occur which will cause the assumptions used in arriving at the estimates to change.

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. While the estimates are based on the most reliable data available, actual results, in the near term, could differ significantly from those estimates depending upon certain events and uncertainties, including:

ZIMBABWE ASSET MANAGEMENT CORPORATION GROUP
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

5. CRITICAL JUDGMENTS AND KEY SOURCES OF ESTIMATION IN APPLYING THE GROUP'S ACCOUNTING POLICIES (Continued)

The timing and extent of losses the Group incurs as a result of future failures of

- Balance disputes;
- Entities that are closed;
- The ability to recover its receivables;
- Expectations of the liquidation of entities; and
- The probability of recovery through successful lawsuits as appropriate against relevant parties.

5.1 Financial Instruments classification, measurement and impairment

The following are the critical judgements, apart from those involving estimations, that the directors have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in financial statements:

- **Business model assessment:** Classification and measurement of financial assets depends on the results of the "Solely Payment of Principal and Interest" (SPPI) test and then business model test. The Group determines the business model at a level that reflects how groups of financial assets are managed together to achieve a particular business objective. This assessment includes judgement reflecting all relevant evidence including how the performance of the assets is evaluated and their performance measured, the risks that affect the performance of the assets and how these are managed. The Group monitors financial assets measured at amortised cost or fair value through other comprehensive income that are derecognized prior to their maturity to understand the reason for their disposal and whether the reasons are consistent with the objective of the business for which the asset was held.

Monitoring is part of the Group's continuous assessment of whether the business model for which the remaining financial assets are held continues to be appropriate and if it is not appropriate whether there has been a change in business model and so a prospective change to the classification of those assets.

- **Significant increase of credit risk:** As explained in note above, ECL are measured as an allowance equal to 12-month ECL for stage 1 assets, or lifetime ECL assets for stage 2 or stage 3 assets.

**ZIMBABWE ASSET MANAGEMENT CORPORATION GROUP
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

For the year ended 31 December 2018

5. CRITICAL JUDGMENTS AND KEY SOURCES OF ESTIMATION IN APPLYING THE GROUP'S ACCOUNTING POLICIES (Continued)

5.1 Financial Instruments classification, measurement and impairment (Continued)

An asset moves to stage 2 when its credit risk has increased significantly since initial recognition. IFRS 9 does not define what constitutes a significant increase in credit risk. In assessing whether the credit risk of an asset has significantly increased, the Group considers qualitative and quantitative reasonable and supportable forward-looking information.

- Establishing groups of assets with similar credit risk characteristics: When ECLs are measured on a collective basis, the financial instruments are grouped on the basis of shared risk characteristics. The Group monitors the appropriateness of the credit risk characteristics on an ongoing basis to assess whether they continue to be similar. This is required in order to ensure that should credit risk characteristics change there is appropriate re-segmentation of the assets. This may result in new portfolios being created or assets moving to an existing portfolio that better reflects the similar credit risk characteristics of that group of assets. Resegmentation of portfolios and movement between portfolios is more common when there is a significant increase in credit risk (or when that significant increase reverses) and so assets move from 12-month to lifetime ECLs, or vice versa, but it can also occur within portfolios that continue to be measured on the same basis of 12-month or lifetime ECLs but the amount of ECL changes because the credit risk of the portfolios differ.

- Models and assumptions used: the Group uses various models and assumptions in measuring fair value of financial assets as well as in estimating ECL. Judgement is applied in identifying the most appropriate model for each type of asset, as well as for determining the assumptions used in these models, including assumptions that relate to key drivers of credit risk.

1. Loans and Receivables

In coming up with the ECL on financial assets, management considered the nature of the Group's debtors, the historical performance of the debtors, and current and forward-looking information. The general approach as permitted by IFRS 9 was used in computing ECL on trade debtors.

2. Staff Receivables

Staff loans are not collateralized, which has the effect of increasing the ECL on the loans. In computing probabilities of default, management decided to make use of RBZ default rates on personal loans and staff turnover ratios for the entity. Staff debtors are however considered to be low risk as the repayments are deducted at source.

**ZIMBABWE ASSET MANAGEMENT CORPORATION GROUP
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

For the year ended 31 December 2018

5. CRITICAL JUDGMENTS AND KEY SOURCES OF ESTIMATION IN APPLYING THE GROUP'S ACCOUNTING POLICIES (Continued)

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

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

i. Useful lives and residual values of property, plant and equipment

The Group assesses useful lives and residual values of property, plant and equipment each year taking into consideration past experience, technology changes and the local operating environment. Refer to Note 18 and accounting policy note for more information on property plant and equipment.

ii. Revaluation of property and fair value of investment properties

The Group carries its investment properties at fair value, with changes in fair value being recognised in profit or loss. In addition, it measures property, plant and equipment at revalued amounts with changes in fair value being recognised in other comprehensive income. The Group engaged independent valuation specialists to determine fair values on entire properties held by the Group as at 31 December 2018. For the investment property, the valuer used a valuation technique based on future rentals and or comparable values. The determined fair value of the investment properties is most sensitive to the estimated yield as well as the long-term vacancy rate.

iii. Impairment of Goldstar Sugars Harare

The Group's sugar refinery plant (which generates 92% of the subsidiary's turnover) continued to create positive cash flows in the year under review and management's forecast performance indicate that the asset is not impaired. The following are the key assumptions made in calculating the value in use of the Group's sugar refinery plant:

- A forecast period for five years
- An increase in volumes from 86 000 tonnes in year one to 114 000 tonnes in the fifth year
- An average price of RTGS\$ 4 500 for the next five years
- An economically viable raw sugar price that gives a consistent margin of 12%
- Growth in market share
- Discount rates used were 15% and 20%

iv. Impairment of Goodwill

At each reporting date the Group assess the goodwill recognised for any indicators of impairment comparing the carrying amount, with the recoverable amount.

- If the carrying amount exceeds the recoverable amount, the Group recognise an impairment loss.
- If the recoverable amount exceeds the carrying amount, the goodwill allocated is not impaired

5.3 Going concern

The Group's management has assessed its ability to continue as a going concern and is satisfied that the Group has the resources to continue in business for the foreseeable future. Therefore, the financial statements continue to be prepared on the going concern basis.

**ZIMBABWE ASSET MANAGEMENT CORPORATION GROUP
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

For the year ended 31 December 2018

5. CRITICAL JUDGMENTS AND KEY SOURCES OF ESTIMATION IN APPLYING THE GROUP'S ACCOUNTING POLICIES (Continued)

5.4 Fair value of financial instruments

Fair values have been determined for measurement and/or disclosure purposes based on the following methods.

The Group characterizes inputs used in determining fair value using a hierarchy that prioritizes inputs depending on the degree to which they are observable. The three levels of the fair value hierarchy are as follows:

- Level 1: fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: fair value measurements are those derived from inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3: fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The carrying values of cash and cash equivalents, accounts receivable, and accounts payable and accrued liabilities approximated their fair values because of the short-term nature of these financial instruments.

The carrying values of receivables, approximated their fair values because the carrying values represented the amounts that the Group would receive or pay if those financial instruments were to settle as of 31 December 2018.

The carrying value of unquoted securities was based on unobservable inputs in calculating the fair value. The value of the shares as at 31 December 2018 and was therefore considered to be Level 3.

5.5 Impairment of financial assets

In assessing impairment, the Group classifies its financial instruments according to the likelihood of default, with classes ranging from stage 1 (initial recognition and up-to date accounts), stage 2 (accounts with increased credit risk) to stage 3 (accounts in default as well as POCI assets). Mathematical models incorporating probabilities of default, exposure at default, loss given defaults and recovery rates are employed to determine the expected credit losses which become the impairment provisions.

**ZIMBABWE ASSET MANAGEMENT CORPORATION GROUP
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

For the year ended 31 December 2018

**5. CRITICAL JUDGMENTS AND KEY SOURCES OF ESTIMATION IN APPLYING
THE GROUP'S ACCOUNTING POLICIES (Continued)**

5.6 Operating lease commitments-Group as lessor

The Group has entered into commercial property leases on its investment property portfolio. The Group has determined, based on an evaluation of the terms and conditions of the arrangements, that it retains all the significant risks and rewards of ownership of these properties and accounts for the contracts as operating leases.

5.7 Taxes

Deferred tax assets are recognised for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and the level of future taxable profits, together with future tax planning strategies.

The Group has \$15 393 700 (2018:\$ 20 844 225) of tax losses carried forward.

5.7 Variable returns

The Group estimates variable considerations to be included in the transaction price for the sale of goods with rights of return and volume rebates. The Group developed a statistical model for forecasting sales returns. The model used the historical return data of each product to come up with expected return percentages. These percentages are applied to determine the expected value of the variable consideration. Any significant changes in experience as compared to historical return pattern will impact the expected return percentages estimated by the Group. The Group's expected volume rebates are analysed on a per customer basis for contracts that are subject to a single volume threshold. Determining whether a customer will be likely entitled to rebate will depend on the customer's historical rebates entitlement and accumulated purchases to date. The Group applied a statistical model for estimating expected volume rebates for contracts with more than one volume threshold. The model uses the historical purchasing patterns and rebates entitlement of customers to determine the expected rebate percentages and the expected value of the variable consideration. Any significant changes in experience as compared to historical purchasing patterns and rebate entitlements of customers will impact the expected rebate percentages estimated by the Group.

The Group updates its assessment of expected returns and volume rebates quarterly and the refund liabilities are adjusted accordingly. Estimates of expected returns and volume rebates are sensitive to changes in circumstances and the Group's past experience regarding returns and rebate entitlements may not be representative of customers' actual returns and rebate entitlements in the future. As at 31 December 2018 there were no amounts recognised as either refund liabilities for the expected returns or volume rebates as the accumulated purchases to date for the eligible customers were not significant there by making the resultant estimates for rebates and returns immaterial.

ZIMBABWE ASSET MANAGEMENT CORPORATION GROUP
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

5. CRITICAL JUDGMENTS AND KEY SOURCES OF ESTIMATION IN APPLYING THE GROUP'S ACCOUNTING POLICIES (Continued)

5.8 Functional currency assessment.

Significant judgement is required to determine the functional currency. The currency that mainly influences sales prices, currency of the country whose competitive forces and regulations mainly determine sales prices, currency that mainly influences labour, material and other costs are the primary considerations. Other considerations include currency in which funds (financing activities) are generated and the currency in which receipts from operating activities are usually retained and the underlying currency of the major items on the statement of financial position

6 INCOME AND EXPENDITURE

6.1 Interest and fee income comprises:

	2018	2017
	US\$	US\$
Interest income	53,624,541	54,212,779
Preference share coupon income	4,967,571	5,406,961
Facility fees	781,853	755,675
Money market investments income	173,995	340,035
	59,547,960	60,715,450

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. Income decreased during the period due to the suspension of interest on some loan accounts.

6.2 Revenue from contracts with customers:

Purified sugar	60,412,054	-
Sugar specialities	11,841,554	-
	72,253,608	-

ZIMBABWE ASSET MANAGEMENT CORPORATION GROUP
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2018

		2018 US\$	2017 US\$
6.3	Interest and fee expense comprises:		
	Interest expense on Treasury Bonds (TBs)	5% 39,519,617	26,813,315
	Interest on CBZ facility	8% 8,839,127	17,439,359
	Interest expense on PTA facility	8.25% 2,823,076	3,365,858
	Finance costs	- 2,787,271	103,435
	Bank charges	- 18,316	3,747
		53,987,407	47,725,714
	The interest expense on TBs increased as a result of TBs issued during the year.		
6.4	Other income		
	Rental income	1,668,267	31,000
	Profit on resolution	-	27,181
	Sundry income	2,255,083	35,905
		3,923,350	94,086
	Included in sundry income are weighbridge income, export incentive, proceeds from assets disposals, sale of rubbles, scrap and excess raw materials.		
6.5	Operating expenses	14,535,503	1,180,731
	Included are:		
	Employment costs	5,199,625	711,923
	Administration costs	3,650,566	242,418
	Loss on resolution	2,948,271	-
	The loss on resolution refer to residual balances written off on resolution and final settlement of negotiated accounts.		
6.6	Taxation		
	Current year tax	50,120	-
	Tax on foreign dividends	322,465	-
	Prior year under provision	183,846	-
	Deferred tax	732,630	-
		1,289,061	-

The tax figures relate entirely to the subsidiary since the parent company is not subject to income or capital gains tax in accordance with Section 14 as read with the Third Schedule of the Income Tax Act [Chapter 23:06].

ZIMBABWE ASSET MANAGEMENT CORPORATION GROUP
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

	2018	2017
	US\$	US\$
6.7 Other comprehensive income		
Revaluation of property, plant and equipment	6,026,636	-
Exchange differences on translating foreign operations	(327,845)	-
Tax on revaluation of property, plant and equipment	(301,331)	-
	5,397,460	-
7 IMPAIRMENT OF FINANCIAL ASSETS		
Closing balance 31 December	139,960,572	10,144,874
IFRS 9 Expected credit loss adjustment	254,393,266	-
Restated balance as at 1 January	394,353,838	10,144,874
Closing Balance 31 December	(350,501,492)	(139,960,572)
Reversal/(Allowance) for the year	43,852,346	(129,815,698)
Expected credit loss		
Loans and advances	318,459,521	139,960,572
Debt asset conversion assets	1,891,629	-
Preference shares	30,148,964	-
Receivables	1,378	-
Balance at year end	350,501,492	139,960,572

Due to the introduction of IFRS 9, adjustments were effected to the opening balances of all financial instruments as at 1 January 2018 reflecting the additional impairment charges. An assessment for impairment was carried out as at 31 December 2018, resulting in a reversal of impairment being recorded for the period.

The additional expected credit loss allowance of \$254 million arose mainly from the agricultural portfolio. The agriculture portfolio was acquired on the understanding that the government would issue 99 year leases to farmers who currently hold offer letters. As at 31 December 2017, this process had not been finalized with the government engaging on a land audit process prior to finalizing 99 year leases. As a result of the delay in finalizing the process, it was resolved that the offer letters are not acceptable as security and hence the loans are not adequately secured and therefor impaired. Accrual of interest income on credit impaired assets has been suspended.

ZIMBABWE ASSET MANAGEMENT CORPORATION GROUP
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2018

	2018	2017
	US\$	US\$
8 CASH AND BANK BALANCES		
Short term investments	28,436,387	3,672,442
Bank balances	10,160,957	3,907,314
Cash at hand	267	19
	38,597,611	7,579,775

Cash and Bank Balances comprise cash on hand, demand deposits with local banks and short-term investments. Short-term investments earn interest at an average rate of 5% per annum.

9 RECEIVABLES		
Trade receivables	4,364,006	-
Expected credit loss allowance	(1,378)	-
Prepayments and other deposits	2,126,568	-
Receivables from disposed assets	275,925	-
Value added tax	962,947	-
Other receivables	728,630	443,037
	8,456,698	443,037

Other receivables include staff loans, rent receivables and employee housing scheme debtors.

10 INVESTMENT IN ASSOCIATE		
Share of the associate's statement of financial position	2,454,629	-

The Group has a 33.33% interest in Tongaat Hulett (Botswana) (Proprietary) Limited (formerly Sugar Industries (Pty) Limited). Tongaat Hulett (Botswana) (Proprietary) Limited is a private entity that is not listed on any public exchange.

11 LOANS, ADVANCES AND DEBT CONVERSION

11.1 LOANS AND ADVANCES		
Loans and advances	943,336,429	790,711,407
Expected credit loss allowance	(318,459,521)	(139,960,572)
	624,876,908	650,750,835

During the year, a total of \$391 million NPLs were acquired, restructured and currently form part of the Group income earning asset base. Loans and advances earn interest at rates between 5 – 10% p.a.

ZIMBABWE ASSET MANAGEMENT CORPORATION GROUP
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

	2018 US\$	2017 US\$
11.2 DEBT ASSET CONVERSION ASSETS		
Debt-asset conversion assets	79,767,057	87,867,136
Expected credit loss allowance	(1,891,629)	-
	<u>77,875,428</u>	<u>87,867,136</u>

Debt asset conversion assets refer to loans that have been resolved through debt asset conversions. These assets are at various stages of conveyancing. The Group will recognise these assets as investment property once control of the asset is exercisable.

12 PREFERENCE SHARES HELD		
Preference Shares held	40,092,543	72,063,176
Expected credit loss allowance	(30,148,964)	-
	<u>9,943,579</u>	<u>72,063,176</u>

The preference shares are held in entities whose debts, owing to Group, were converted on restructuring. The impairment for the period largely arose from non-performance of RioZim, casting significant doubt on the recoverability of the outstanding amount.

13 FINANCIAL SECURITIES		
Treasury Bills (TBs)	<u>42,771,689</u>	<u>40,721,028</u>

Included in financial securities are \$38m TBs received from the Government of Zimbabwe as security on the IDBZ facility. Also included are TBs received from various clients as loan repayments.

ZIMBABWE ASSET MANAGEMENT CORPORATION GROUP
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

	2018	2017
	US\$	US\$
14 ASSETS UNDER DEVELOPMENT		
Assets under development	312,620	-
The assets under development relate to Loan Management System development costs		
15 INVENTORIES	US\$	US\$
Raw materials	1,335,568	-
Work-in-progress	526,330	-
Finished products/wholesale merchandise	1,210,880	-
Consumables	1,905,507	-
Land developments	678,587	-
	5,656,872	-

Total inventories valued at the lower of cost and net realisable value relates to the, raw materials, work-in-progress, finished goods, consumables as well as cost of a land development project currently being undertaken by the Group. The project is located in Goodhope area and it measures 5.2 hectares and a total of 26 stands measuring an average of 2000 sqm are being developed. In accordance with IAS 2, the value incorporates the initial cost of acquiring the land.

ZIMBABWE ASSET MANAGEMENT CORPORATION GROUP
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

	2018 US\$	2017 US\$
16 INVESTMENT PROPERTY		
Acquired on consolidation	7,367,000	-
Additions during the period	15,952,617	-
Fair value adjustments	25,410,717	-
Disposals	(12,000)	-
31 December	48,718,334	-

The carrying amount of investment properties is the fair value of the properties as determined by registered independent valuers who possess appropriate recognised professional qualifications and recent experience in the category and location being valued. The valuation was carried out in accordance with International Valuation Standards and the Royal Institute of Chartered Surveyors Appraisal and Valuation Manual. Fair values were determined with regard to recent market transactions for similar properties in the same location as the Group's investment properties and also potential rental yields applicable to similar property. The properties were valued as at 31 December 2018.

The group received rental income of \$484,527 and incurred expenses amounting to \$231,089 from the investment properties during the year.

17 GOODWILL

	Star Africa Group US\$	Safariland Inv US\$	Total US\$
Cost of investment	31,970,633	3,749,298	35,719,931
Non-controlling interest	(584,432)	3,158,985	2,574,553
Carrying amount of net assets	1,411,733	(5,356,140)	(3,944,407)
Goodwill	32,797,934	1,552,143	34,350,077

The goodwill arose from the acquisition of Star Africa Corporation (SAC) and the Group calculated goodwill for SAC, as well as the subsidiary of the subsidiary, which amounts to **\$34,350,077**. Goodwill was calculated using the carrying amount method and the non-controlling interest was calculated as a proportion of net assets. Management is satisfied, after an assessment, that there was no impairment of goodwill at the end of the year.

ZIMBABWE ASSET MANAGEMENT CORPORATION GROUP
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

18 PROPERTY, PLANT AND EQUIPMENT

	Land and Buildings US\$	Furniture & Equipment US\$	Motor Vehicles US\$	Plant and Machinery US\$	Computer Hard/software US\$	Total US\$
COST:						
At 01 January 2017	-	77,537	85,660	-	47,422	210,619
Additions	-	9,121	421,350	-	8,502	438,973
At 31 December 2017	-	86,658	507,010	-	55,924	649,592
Consolidation take-ons	11,661,535	412,054	30,146	18,841,198	-	30,944,933
Additions	-	137,416	-	562,224	120,263	819,903
Revaluations	6,026,636	-	-	-	-	6,026,636
Disposals	-	-	-	(178,478)	-	(178,478)
At 31 December 2018	17,688,171	636,128	537,156	19,224,944	176,187	38,262,586
DEPRECIATION:						
At 01 January 2017	-	20,045	8,388	-	16,099	44,532
Depreciation charge for the year	-	14,196	55,859	-	12,899	82,954
At 31 December 2017	-	34,241	64,247	-	28,998	127,486
Consolidation take-on	916,534	136,443	17,030	9,005,297	-	10,075,304
Depreciation charge for the year	210,400	61,349	106,409	694,725	31,814	1,104,697
Disposals	-	-	-	(178,478)	-	(178,478)
At 31 December 2018	1,126,934	232,033	187,686	9,521,544	60,812	11,129,009
Net Book Value:						
At 01 January 2017	-	57,492	77,272	-	31,323	166,087
At 31 December 2017	-	52,417	442,763	-	26,926	522,106
At 31 December 2018	16,561,237	404,095	349,470	9,703,400	115,375	27,133,577

*Property with carrying value of \$12.4 million was provided as security with respect to long-term loans and borrowings (note 21)

ZIMBABWE ASSET MANAGEMENT CORPORATION GROUP
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

		2018	2017
		US\$	US\$
19 SHARE CAPITAL			
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		35,286,521	286,521
		<u>35,287,521</u>	<u>287,521</u>

The Group's issued share capital is held by the Reserve Bank of Zimbabwe. In accordance with the provisions of the Companies Act [Chapter 24:01], the unissued ordinary shares of the corporation are under the control of the Board of Directors. Additional capital of US\$35 million was injected by the shareholder.

20 ACCUMULATED PROFIT OR LOSS		
Opening balance	(115,003,952)	2,908,655
IFRS 9 adjustment – 01.01.18	(254,393,265)	-
Profit /(loss) for the year	75,107,037	(117,912,607)
Balance at year end	<u>(294,290,180)</u>	<u>(115,003,952)</u>

21 LOANS AND BORROWINGS

NAME	RATE	TENURE	SECURITY PLEDGED	2018 US\$	2017 US\$
PTA Bank	8.25	8 Years	-	30,172,822	36,705,987
IDBZ Foreign Loans [#]	0%	-	-	38,283,003	38,283,003
CBZ Loan Facility	8%	8years	-	-	235,431,348
Stanbic loan facility	10%	-	-	892,883	-
Intermarket bank Zambia	15%	-	-	1,122,945	-
Zimbabwe Sugar sales	7%	-	-	10,524,019	-
Con-current creditors	7%	-	-	7,907,325	-
Banc ABC	9%	-	-	774,260	-
Other Loans and Dues*	0-5%	-	-	67,280,283	64,650,693
TOTAL				<u>156,957,540</u>	<u>375,071,031</u>

ZIMBABWE ASSET MANAGEMENT CORPORATION GROUP
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

	2018 US\$	2017 US\$
22 TREASURY BILLS IN ISSUE	978,633,366	593,433,757
<p>These are US Dollar denominated Government of Zimbabwe Treasury Bills issued on behalf of the Group for the acquisition of non-performing loans and payments made by the RBZ to foreign creditors for and on behalf of the Group with respect to interest due. The Treasury Bills attract a coupon of 5%p.a payable semi-annually. An additional \$385 million TBs were issued in 2018 for the acquisition of NPLs from the Banking sector.</p>		
22.1 ACQUISITIONS/LONG TERM BORROWINGS		
Closing Balance of Treasury bills	978,633,366	593,433,757
Opening balance of Treasury bills	593,433,757	449,748,736
Change in Treasury bills in issue	385,199,609	143,685,021
Acquisition holding - Pre TB Issuance	5,808,333	16,404,262
Net increase in Acquisitions/ long-term borrowings	391,007,942	160,089,283
23 DEFERRED INCOME	4,690,076	5,475,229

Refers to facility fees charged by the Group on restructuring a loan. The deferred income is amortised over the lifespan of the facility and recognised in full if account is paid in full before the expiry of the facility.

24 DEFERRED TAX LIABILITY

The Group has tax losses which arose in one subsidiary of \$15,393,700 (2017:\$ 20,844,225) that are available for offset against future taxable profits of the subsidiary.

ZIMBABWE ASSET MANAGEMENT CORPORATION GROUP
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2018

	2018 US\$	2017 US\$
24 DEFERRED TAX LIABILITY (CONT)		
Opening balance 01 January	-	-
Acquired on consolidation	2,226,167	-
Effect on adoption of IFRS9	(305,621)	-
Charge to profit and loss	732,630	-
Charge to other comprehensive income	301,331	-
	<hr/>	<hr/>
Closing balance 31 December	2,954,507	-
	<hr/>	<hr/>
25 PAYABLES		
Reserve Bank of Zimbabwe balances	-	258,503
Trade payables	5,146,711	-
Trust funds	4,650,000	-
Income tax payable	342,255	-
Other Payables	13,641,609	425,004
	<hr/>	<hr/>
Balance for the year	23,780,575	683,507
	<hr/>	<hr/>
Trust funds refer to receipts from a private treaty sale of property, the parties to which are in dispute, awaiting remittance. Other payables include statutory creditors, legal fees accrued, audit fees provision and provisions for leave pay.		
25.1 LEAVE PAY PROVISION		
Opening balance 1 January	62,382	19,782
Gross provisions for the year	74,250	44,328
Paid out during the year	(75,278)	(1,728)
	<hr/>	<hr/>
Closing balance 31 December	61,354	62,382
	<hr/>	<hr/>
26 CONTINGENT LIABILITIES, COMMITMENTS, GUARANTEES AND OTHER CONTINGENCIES		
There Group had no contingent liabilities at year end.		
27 CAPITAL COMMITMENTS		
Opening balance	204,100	-
Within one year- authorised and contracted:	570,337	204,100
Authorised but not contracted for	3,614,400	-
Paid during the year	(164,430)	-
	<hr/>	<hr/>
	4,224,407	204,100
	<hr/>	<hr/>

ZIMBABWE ASSET MANAGEMENT CORPORATION GROUP

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

27 CAPITAL COMMITMENTS (CONT.)

The commitments in 2017 relate to the implementation of the Loan Management System by Fintech. The Group has entered into commercial property leases on its investment property portfolio consisting of the Group's surplus offices, residential, and industrial properties. The non-cancellable leases have terms of one year renewable and include a clause to enable upward revision of the rental charge at least on an annual basis as informed by prevailing market conditions

28 RETIREMENT BENEFIT SCHEMES

28.1 National Social Security Authority (NSSA) scheme

The Employees are 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 the Group contributed US\$127,376 (2017: \$7,565) towards this plan and the cost is included in the staff costs.

28.2 Fintrust Pension Fund

ZAMCO staff joined the RBZ initiated Fintrust Pension Fund, which is managed by Comarton Consultants with effect from 1 January 2017. The fund is a defined contribution plan, towards which the employee contributes 6% of basic earnings, whilst the employer contributes 12%. During the year ZAMCO contributed \$92,487 towards the fund.

28.3 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.

	2018 US\$	2017 US\$
28.4 Contributions recognized as an expense during the year		
National Social Security Authority Scheme	127,376	7,565
Fintrust Pension Fund	92,487	34,330
	219,863	41,895

29 FINANCIAL ASSETS AND RISK MANAGEMENT

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

**ZIMBABWE ASSET MANAGEMENT CORPORATION GROUP
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

For the year ended 31 December 2018

29.1 Classification of Financial Assets and Liabilities (2018)

	Amortised Cost US\$	Fair Value through Profit and Loss US\$	Total US\$
Financial Assets			
Loans and advances	624,876,908	-	624,876,908
Debt asset conversion assets	77,875,428	-	77,875,428
Preference shares held	9,943,579	-	9,943,579
Investment in associate	2,454,629	-	2,454,629
Receivables	8,456,698	-	8,456,698
Financial securities	-	42,771,689	42,771,689
Cash and bank balances	-	38,597,611	38,597,611
Total	723,607,242	81,369,300	804,976,542
Financial Liabilities			
Treasury bills in issue	978,633,366	-	978,633,366
Long term loans and borrowings	89,677,257	-	89,677,257
Other loans and dues*	67,280,283	-	67,280,283
Payables	24,755,224	-	24,755,224
Total	1,160,346,130	-	1,160,346,130

* Other loans and dues include intercompany loans and interest accrued on Treasury Bills in issue

**ZIMBABWE ASSET MANAGEMENT CORPORATION GROUP
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

For the year ended 31 December 2018

29.1 Classification of Financial Assets and Liabilities (2017)

	Carrying Amount 31 Dec '17 US\$	Amortised Cost Adjustment US\$	Carrying Amount 1 Jan '18 US\$	Fair Value through Profit and Loss Carrying Amount 31 Dec '17 US\$	Adjustment US\$	Carrying Amount 1 Jan '18 US\$	Total Amount 1 Jan '18 US\$
Financial Assets							
Loans and advances	650,750,835	206,536,337	444,214,498	-	-	-	444,214,498
Debt asset conversion assets	87,867,136	2,920,012	84,947,124	-	-	-	84,947,124
Preference shares held	72,063,176	44,936,112	27,127,064	-	-	-	27,127,064
Receivables	443,037	805	442,232	-	-	-	442,232
Financial securities	-	-	-	40,721,028	-	40,721,028	40,721,028
Cash and bank balances	-	-	-	7,579,775	-	7,579,775	7,579,775
Total	811,124,184	254,393,266	556,730,918	48,300,803	-	48,300,803	605,031,721
Financial Liabilities							
Treasury bills in issue	593,443,757	-	593,443,757	-	-	-	593,443,757
Long term loans and borrowings	310,420,339	-	310,420,339	-	-	-	310,420,339
Other loans and dues*	64,650,693	-	64,650,693	-	-	-	64,650,693
Payables	683,507	-	683,507	-	-	-	683,507
Total	969,198,296	-	969,198,296	-	-	-	969,198,296

ZIMBABWE ASSET MANAGEMENT CORPORATION GROUP
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

29. FINANCIAL AND RISK MANAGEMENT (continued)

29.2 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, the Group is obliged to accept certain market-related risks which would not be fully compatible with pure commercial practice. The Group 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

29.3 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 the Group's loans and advances facilities are at concessionary rates. The Group'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 the Group. The committee provides assurance that the Group's financial risk activities are governed by appropriate policies and procedures and that financial risks are identified, measured and managed in accordance with the Group's policies and risk objectives.

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

	2018	2017
	US\$	US\$
Financial assets		
Loans and advances	624,876,908	396,357,570
Preference shares held	9,943,579	72,063,176
Financial securities	42,771,689	40,721,028
Total	677,592,176	509,141,774
 Financial Liabilities		
Loans and borrowings	89,677,257	310,420,339
Treasury bills in issue	978,633,366	593,433,757
Other loans and dues	67,280,283	64,650,693
Total	1,135,590,906	968,504,789

**ZIMBABWE ASSET MANAGEMENT CORPORATION GROUP
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

For the year ended 31 December 2018

29. FINANCIAL AND RISK MANAGEMENT (continued)

29.4 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. The Group's assets and liabilities are held in US\$ (the Group's functional currency) hence the corporation was not exposed to currency risk at year end.

29.5 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 Group as advances to clients and deposits made with other institutions and the settlement of financial market transactions.

Credit mitigation is employed by the Group through taking collateral mostly in the form of immovable property and other guarantees. The Group 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 the Group's Investment and Asset Management department in accordance with the Group's policy.

29.5.1 Concentration of credit risk

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

ZIMBABWE ASSET MANAGEMENT CORPORATION GROUP
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

29. FINANCIAL AND RISK MANAGEMENT (continued)

29.5 Credit risk (continued)

29.5.2 Credit risk measurement

The Group 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 the Group are segmented into five rating classes. The Group'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. The Group regularly validates the performance of the rating and their predictive power with regard to default events.

Internal Ratings Scale

Rating Grade	Description of the rating
1	Pass
2	Special Mention
3	Sub-Standard
4	Doubtful and bad
5	Loss

ZIMBABWE ASSET MANAGEMENT CORPORATION GROUP
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2018

29. FINANCIAL AND RISK MANAGEMENT (continued)

29.5 Credit risk continued

	Neither Past Due/nor impaired	Past due not impaired	Past due and impaired	Total
	US\$	US\$	US\$	US\$
Credit risk Analysis 2018				
Cash and bank balances	38,597,611	-	-	38,597,611
Receivables	8,456,698	-	-	8,456,698
Loans and advances to clients	601,669,244	23,207,664	-	624,876,908
Debt asset conversion assets	77,875,428	-	-	77,875,428
Preference shares held	9,943,579	-	-	9,943,579
Investment in associate	2,454,629	-	-	2,454,629
Total non-derivative assets	738,997,189	23,207,664	-	762,204,853
Credit risk Analysis 2017				
Cash and bank balances	7,579,775	-	-	7,579,775
Receivables	443,037	-	-	443,037
Loans and advances to clients	616,412,423	34,338,412	-	650,750,835
Debt asset conversion assets	87,867,136	-	-	87,867,136
Preference shares held	72,063,176	-	-	72,063,176
Total non-derivative assets	784,365,547	34,338,412	-	818,703,959

ZIMBABWE ASSET MANAGEMENT CORPORATION GROUP
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2018

29. FINANCIAL AND RISK MANAGEMENT (continued)

29.6 Credit risk exposure

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

	2018	2017
	US\$	US\$
Cash and bank balances	38,597,611	7,579,775
Receivables	8,456,698	443,037
Loans and advances	624,876,908	650,750,835
Debt Asset Conversion Assets	77,875,428	87,867,136
Preference shares held	9,943,579	72,063,176
Investment in associate	2,454,629	-
Total	762,204,853	818,703,959

The Group held collateral worth US\$703 million (2017:US\$550 million) on advances to clients. The collateral held by the Group is largely in the form of real estate.

29.7 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. The Group has got capacity to meet its liquidity needs in the short to medium term as adequate resources have been mobilised from normal operations to service standing obligations. The long-term liquidity to service obligations arising from the long-dated Treasury bills may pose a challenge as highlighted in the table below.

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

ZIMBABWE ASSET MANAGEMENT CORPORATION GROUP
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2018

29.7 Liquidity risk continued

29.7.1 Maturity Analysis (2018)	On demand	Due between 0-3 months	Due between 3-12 months	Due between 1-5 years	Due After 5 years	Total carrying amount
	US\$	US\$	US\$	US\$	US\$	US\$
Non-derivative liabilities						
Loans and borrowings	-	13,029,171	10,138,065	74,285,869	38,283,003	135,736,108
Treasury bills in issue	-	-	3,510,571	46,463,808	928,658,987	978,633,366
Payables	4,854,679	-	-	-	-	4,854,679
Total non-derivative liabilities	4,854,679	13,029,171	13,648,636	120,749,677	966,941,990	1,119,224,153
Assets held for managing liquidity risk						
Cash and bank balances	31,510,871	-	-	-	-	31,510,871
Financial Securities	4,488,686	-	-	-	38,283,003	42,771,689
Loans and receivables	23,207,664	12,681,117	67,223,356	236,116,779	285,867,698	625,096,614
Debt asset conversion assets	-	-	-	77,875,428	-	77,875,428
Preference shares held	-	-	-	9,943,579	-	9,943,579
Local Shares	-	35,883,703	-	-	-	35,883,703
Total assets held for managing liquidity risk	59,207,221	48,564,820	67,223,356	323,935,786	324,150,701	823,081,884
Net exposure	54,352,542	35,535,649	53,574,720	203,186,109	(642,791,289)	(296,142,269)

**ZIMBABWE ASSET MANAGEMENT CORPORATION GROUP
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

For the year ended 31 December 2018

29.7 Liquidity risk continued

29.7.1 Maturity Analysis (2017)	On demand	Due between 0-3 months	Due between 3-12 months	Due between 1-5 years	Due After 5 years	Total carrying amount
	US\$	US\$	US\$	US\$	US\$	US\$
Non-derivative liabilities						
Loans and borrowings	-	2,786,152	9,788,964	28,484,926	334,010,989	375,071,031
Treasury bills in issue	-	-	2,117,066	33,447,224	557,869,467	593,433,757
Payables	683,507	-	-	-	-	683,507
Total non-derivative liabilities	683,507	2,786,152	11,906,030	61,932,150	891,880,456	969,188,295
Assets held for managing liquidity risk						
Cash and bank balances	7,579,775	-	-	-	-	7,579,775
Financial Securities	2,438,025	-	-	-	38,283,003	40,721,028
Loans and receivables	34,338,412	12,435,334	125,647,912	176,831,424	301,497,753	650,750,835
Debt asset conversion assets	-	-	-	87,867,136	-	87,867,136
Preference shares held	-	-	-	40,092,543	31,970,633	72,063,176
Total assets held for managing liquidity risk	44,356,212	12,435,334	125,647,912	304,791,103	371,751,389	858,981,950
Net exposure	43,672,705	9,649,182	113,741,882	242,858,953	(520,129,067)	(110,206,345)

**ZIMBABWE ASSET MANAGEMENT CORPORATION GROUP
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

For the year ended 31 December 2018

29.7 Liquidity risk (continued)

29.7.3 Default and breaches disclosure

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

**ZIMBABWE ASSET MANAGEMENT CORPORATION GROUP
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

For the year ended 31 December 2018

29.7 Liquidity risk (continued)

29.7.4 Secured and unsecured Loans and Advances (2018)

	Security value 2018	Unsecured value 2018	Total carrying Amount 2018
	US\$	US\$	US\$
Financial Assets			
Loans and advances to clients	624,876,908	-	624,876,908
Debt asset conversion assets	77,875,428	-	77,875,428
Financial securities	42,771,689	-	42,771,689
Other receivables		8,456,698	8,456,698
Total	745,524,025	8,456,698	753,980,723
Secured and Unsecured Financial Liabilities			
Loans and borrowings	-	156,957,540	156,957,540
Treasury bills in issue	-	978,633,366	978,633,366
Payables	-	23,780,575	23,780,575
Total	-	1,159,371,481	1,159,371,481

The security held on the financial assets is in the form of Government guarantees and real estate.

**ZIMBABWE ASSET MANAGEMENT CORPORATION GROUP
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

For the year ended 31 December 2018

29.7 Liquidity risk (continued)

29.7.4 Secured and unsecured Loans and Advances (2017)

	Security value 2017	Unsecured value 2017	Total carrying Amount 2017
	US\$	US\$	US\$
Financial Assets			
Loans and advances to clients	550,090,855	100,659,980	650,750,835
Debt asset conversion assets	87,867,136	-	87,867,136
Financial securities	40,721,028	-	40,721,028
Other receivables		443,037	443,037
Total	678,679,019	101,103,017	779,782,036
Secured and Unsecured Financial Liabilities			
Loans and borrowings	-	375,071,031	375,071,031
Treasury bills in issue	-	593,433,757	593,433,757
Payables	-	683,507	683,507
Total	-	969,188,295	969,188,295

The security held on the financial assets is in the form of Government guarantees and real estate.

ZIMBABWE ASSET MANAGEMENT CORPORATION GROUP
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

30 CAPITAL MANAGEMENT

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

- To safeguard the Group's ability to continue as a going concern so that it can achieve the specific mandate for which it was formed and provide benefits for other stakeholders.
- To maintain a strong capital position necessary for long-term financial health and to support development of its business.

The Group is not subject to capital requirements by a regulatory body.

The table below summarises the composition of the Group's capital for the year ended 31 December 2017.

	2018	2017
	US\$	US\$
Share capital	1,000	1,000
Share premium	286,521	286,521
Capital contribution	35,000,000	-
Non-distributable reserve	3,163,007	-
Equity component of compound financial instruments	(136,799)	-
Accumulated loss	(294,290,180)	(115,003,952)
Total	(255,976,451)	(114,716,431)

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 the Group.

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

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

ZIMBABWE ASSET MANAGEMENT CORPORATION GROUP
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

31. RELATED PARTY INFORMATION

ZAMCO is wholly owned by the Reserve Bank of Zimbabwe. ZAMCO acquired a controlling interest of 58.6% in Star Africa Corporation on March 22, 2018. The subsidiary is consolidated in the accounts of ZAMCO group for the financial year ended 31 December 2018. There were no financial or other transactions between ZAMCO and Star Africa Corporation during the year.

31.1 Compensation of key management personnel of the Group.

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

	2018	2017
	US\$	US\$
Non-Executive Directors	100,400	105,400
Key management	557,476	247,773
	657,876	353,173

31.2 Balances with related parties

Related Party	Relationship	2018	2017
		US\$	US\$
Reserve Bank of Zimbabwe	Parent	34,251,778	46,638,183
Government of Zimbabwe	Owner of Parent	2,373,237	1,946,319
		36,625,015	48,584,502

The movement during the year arose from settlement by the Group of some of the outstanding balances with the Reserve Bank of Zimbabwe.

32. COMPARATIVE FIGURES

Comparative figures are based on the ZAMCO 2017 audited financial statements. The acquisition of Star Africa Corporation into the Group occurred after year end of 2017.

ZIMBABWE ASSET MANAGEMENT CORPORATION GROUP

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

33 EVENTS AFTER REPORTING PERIOD

33.1 CHANGE IN FUNCTIONAL AND PRESENTATION CURRENCY

The Government of Zimbabwe adopted a multi-currency regime in 2009, with the United States dollar (US\$), South African Rand (ZAR), British pound (GBP), Euro (EUR) and the Botswana Pula (BWP) all forming part of the official basket of currencies. The US\$ and ZAR were the most commonly used at the introduction of the regime, with the US\$ emerging as the currency of reference in transactions and official policy pronouncements. This resulted in the designation of US\$ as the functional and presentation currency by Monetary Authorities as well as the transacting public, including the Group from the inception of the parent company.

The Zimbabwean economy experienced serious liquidity challenges between 2014 and 2016, resulting in the Reserve Bank of Zimbabwe (RBZ) introducing the bond notes into the multi-currency basket in November of 2016. The bond note was officially pegged at 1:1 to the US\$ with transactions for clients being settled in both currencies and the same bank accounts handling both US\$ and Bond Notes.

The introduction of the Bond Note led to the creation of a multi-tier pricing system that preferred payments in US\$ or payment of a premium when using bond notes or Real Time Gross Settlement (RTGS) balances. In October 2018, financial institutions were instructed to separate bond notes (including sitting RTGS balances) and US\$ accounts. The US\$ accounts were designated as Nostro Foreign Currency (FCA) accounts.

The FCA accounts were designated specifically for incoming Telegraphic Transfers and hard cash foreign currency deposits. Regardless of the aforementioned, the Monetary Authorities did not state that there had been an introduction of a new currency, as at 31 December 2018, as such the US\$ remained the official functional and reporting currency.

On 22 February 2019, the RBZ issued an Exchange Control Directive, RU 28 of 2019, establishing a formal interbank foreign exchange market, in which banks and bureaux de change may participate. The RBZ denominated the existing RTGS balances in circulation as RTGS Dollars, with initial trades on the same date occurring at a rate of US\$1: RTGS\$2.5. Statutory instrument 33 of 2019 was also issued on the same date, specifying that all assets and liabilities that were in US\$ immediately before 22 February 2019 were deemed to have been valued in RTGS Dollars at a rate of 1:1, for accounting and other purposes.

On 24 June 2019 the Minister of Finance and Economic Development made the following regulations: the Reserve Bank of Zimbabwe (Legal Tender) Regulations, 2019 also cited as Statutory Instrument 142 of 2019 (SI 142) which specified that all previously allowed legal tenders for domestic transaction were no longer allowable except for the Zimbabwe Dollar (RTGS\$, Bond notes and Bond Coins) effectively declaring the Zimbabwe Dollar, as defined, as the sole legal tender effective 24 June 2019.

ZIMBABWE ASSET MANAGEMENT CORPORATION GROUP NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

33. EVENTS AFTER REPORTING PERIOD

Management assessed the SI and concluded that, for an after yearend promulgation which is effective for periods after the Group's yearend, this is a non-adjusting subsequent event without any impact to the Group's financial statements as at yearend. The financial impact, of the SI, for future periods cannot be estimated at this point.

The directors of the Group agreed that the US\$ was the Group's functional and presentation currency for the financial year 2018 due to the following factors; arising from the discussion above:

33.1 CHANGE IN FUNCTIONAL AND PRESENTATION CURRENCY (Continued)

- Statutory Instrument 33 of 2019 specified that for accounting and other purposes, all assets and liabilities that were in US\$ immediately before the 22nd of February, 2019, were deemed to have been valued in RTGS dollars at 1:1.
- There was no alternative currency as RTGS Dollars were only introduced on 22 February 2019.
- The corporation only transacted in bond notes/RTGS balances during the period and did not handle any foreign currency receipts.

During the period under review, the corporation sourced foreign currency from the official market, at a rate of 1:1, as per the official prescription by the Monetary Authorities up to 31 December 2018.

34 GOING CONCERN

The Directors have assessed the ability of the Group to continue operating as a going concern. They are satisfied that preparation of the financial statements on a going concern basis is still appropriate. The Directors have committed themselves to the continual assessment of the appropriateness of applying the going concern in the preparation of the financial statements of the Group. The Directors have also assessed the potential sensitivity to the financial position of the Group arising from exchange rate variances. These have been deemed to have minimal impact on the ability of the Group to continue operating as a going concern as almost all assets and liabilities held are in matched currencies.

Based on the Group's financial performance, maturity profile for its financial assets and liabilities, cashflow management, support from the Government and RBZ, the Group's Directors conclude that the Group will continue to realise its assets and liabilities in the ordinary course of business. These financial statements are therefore prepared on that basis.



ZIMBABWE ASSET MANAGEMENT CORPORATION (PRIVATE) LIMITED (COMPANY)

**AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018**

ZIMBABWE ASSET MANAGEMENT CORPORATION (PRIVATE) LIMITED
FINANCIAL STATEMENTS

For the year ended 31 December 2018

Contents	Page
Directors' Report	80-84
Statement of Profit or Loss and Other Comprehensive Income	86
Statement of Financial Position	87-88
Statement of Changes in Equity	89
Statement of Cash Flows	90
Notes to the Financial Statements	91-134

ZIMBABWE ASSET MANAGEMENT CORPORATION (PRIVATE) LIMITED DIRECTORS' REPORT

For the year ended 31 December 2018

The Directors of Zimbabwe Asset Management Corporation have pleasure in submitting their report for the financial year ended 31 December 2018.

1. NATURE OF BUSINESS

- 1.1 Zimbabwe Asset Management Corporation ("ZAMCO", "the corporation", "the entity") was established in 2014 as a private entity.**

The functions of ZAMCO, in accordance with the Banking Amendment Act (2015), are as follows:

- a) To acquire, reschedule, dispose of, hold, manage, or otherwise settle non-performing loans of banking institutions;
- b) Manage, acquire, restructure and dispose of distressed or problem or failed banking institutions, on the direction of the Reserve Bank; and
- c) To perform other functions related to the acts mentioned in paragraphs a) and b) above.

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 2018. 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 were 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 (IFRS). 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 'notes 3-4' 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.

The accounting policies are prepared on the basis of IFRS.

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

ZIMBABWE ASSET MANAGEMENT CORPORATION (PRIVATE) LIMITED DIRECTORS' REPORT

For the year ended 31 December 2018

3. BOARD MEMBERS AND COMMITTEES

The following is the composition of the ZAMCO Board of Directors, as well as the various board committees. The Board is made up of non-executive directors only.

SN	NAME	DESIGNATION	STATUS
1	Mr. B. Mswaka	- Board Chairperson - Chairperson – HR* Committee - Committee Member : Credit and Debt Restructuring Committee	Independent Non-Executive Director
2	Dr. J. T. Chipika	- Committee Member : Audit Committee	Non-Executive Director - Appointed w.e.f 1 September 2018
3	Mr. A. Saburi	- Committee Member : HR* & Credit and Debt Restructuring Committees	Non-Executive Director
4	Mr. N. Mataruka	- Committee Member : HR* & Credit and Debt Restructuring Committees	Non-Executive Director
5	Mr.E.M. Zvandasara	- Committee Member : Audit Committee	Non-Executive Director
6	Mrs. V. Nyemba	- Committee Member: Audit & Credit and Debt Restructuring Committees	Independent Non-Executive Director
7	Mr. D. Psillos	- Committee Member : Credit and Debt Restructuring Committee	Independent Non-Executive Director
8	Mr. S.T. Biyam	- Committee Member: Audit & Credit and Debt Restructuring Committees	Independent Non-Executive Director
9	Mr. R.G. Muirimi	- Chairperson – Credit and Debt Restructuring Committee	Independent Non-Executive Director
10	Mr. J.M. Chikura	- Chairperson – Audit Committee	Independent Non-Executive Director

* Human Resources

ZIMBABWE ASSET MANAGEMENT CORPORATION (PRIVATE) LIMITED DIRECTORS' REPORT

For the year ended 31 December 2018

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

- Mr. J. Chikura (Chairperson)
 - Dr. J. T. Chipika*
 - Mr. E. Zvandasara
 - Mr. S. T. Biyam
 - Mrs. V. Nyemba
- *with effect from 1 September 2018.

The Audit, Risk and Oversight Committee 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.

4. ACCOUNTING POLICIES

The accounting policies adopted by ZAMCO are set out in 'notes 3-4' to the financial statements.

5. RESULTS OF ZAMCO'S OPERATIONS

The corporation recorded a profit before impairment for the year of **US\$29,902,874** (2017 Profit: **US\$11,903,092**), representing an increase of 151% on prior year. The decrease is largely due to cessation of interest accrual on accounts that have been assessed as impaired. The profit was as a result of normal ZAMCO operations during the period under review.

	2018 US\$	2017 US\$
Profit for the year	29,902,874	11,903,092
Impairment Reversal/(Expense)	43,852,346	(129,815,698)
IFRS 9-Impairment Adjustment	-	(254,393,266)
(Loss)/ Profit after impairment	73,755,220	(372,305,872)

6. IMPAIRMENT OF FINANCIAL ASSETS

Due to the introduction of IFRS 9, adjustments were effected to the opening balances of all financial instruments as at 1 January 2018 reflecting the additional impairment charges. An assessment for impairment was carried out as at 31 December 2018, resulting in a reversal of impairment being recorded for the period.

ZIMBABWE ASSET MANAGEMENT CORPORATION (PRIVATE) LIMITED DIRECTORS' REPORT

For the year ended 31 December 2018

6. IMPAIRMENT OF FINANCIAL ASSETS (Continued)

The additional impairment of \$254 million arose mainly from the acquired agricultural portfolio. When these accounts were acquired, there were engagements with government to expedite the process of making 99 year leases acceptable collateral. This would have provided ZAMCO with adequate cover on this portfolio, however, the 99 year leases are yet to be accorded the legal status that would suffice for them to be bankable security. As such, ZAMCO had to provide for impairment upon the introduction IFRS 9 on the agricultural portfolio.

7. GOING CONCERN

ZAMCO is a wholly owned subsidiary of the RBZ which was created through the provisions of the RBZ Act, Section 57A. The Act gives ZAMCO a specific mandate and timeline for its operation. It further guides that at the end of its mandate, ZAMCO's assets and liabilities be transferred to the RBZ. ZAMCO uses Government Treasury Bonds to purchase NPLs. ZAMCO's operational funding is generated from interest on loans and advances, facility fee charges and other avenues pursued by the organisation.

Although the total liabilities for ZAMCO exceed its assets by \$260 million, it is important to note that only \$15 million worth of liabilities fall due within the next year, with a further \$61 million falling due within five years. The rest of ZAMCO's liabilities are long dated and fall due after five years, with 80% of them falling due after ten (10) years. In addition, as at reporting date, ZAMCO had cash and cash equivalents amounting to \$31.5 million, which is enough to pay for ZAMCO's financial liabilities that fall due within the next 12 months.

The Government of Zimbabwe has also directed that ZAMCO stop the purchase of any further NPLs. The RBZ has also committed to meeting ZAMCO's obligations in periods when ZAMCO has no capacity to meet these.

Accordingly, based on ZAMCO's financial performance, maturity profile for its financial assets and liabilities, cashflow management, support from the Government and RBZ, ZAMCO's management concludes that the entity will continue to realise its assets and liabilities in the ordinary course of business. These financial statements are therefore prepared on that basis.

**ZIMBABWE ASSET MANAGEMENT CORPORATION (PRIVATE) LIMITED
DIRECTORS' REPORT**

For the year ended 31 December 2018

8. APPROVAL OF FINANCIAL STATEMENTS

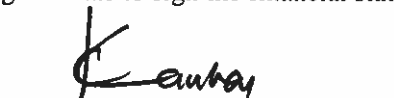
The financial statements which appear on pages 12 to 56 were approved by the Directors on 28 August 2019 and the Directors authorised the following officials to sign the financial statements:



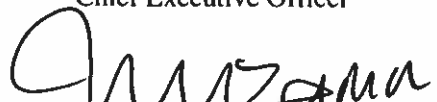
Mr. B. Mswaka
Chairman of the Board



Mr. W. Madera
Company Secretary



Dr. C. Kanhai
Chief Executive Officer



Mr. T. Muzariri
Chief Finance Officer

Date: 28 August 2019

**ZIMBABWE ASSET MANAGEMENT CORPORATION (PRIVATE) LIMITED
FINANCIAL STATEMENTS**

For the year ended 31 December 2018

These financial statements were prepared by the finance department of Zimbabwe Asset Management Corporation, under the direction and supervision of the Chief Finance Officer, Tatenda Muzariri (PAAB Number 04011).

ZIMBABWE ASSET MANAGEMENT CORPORATION (PRIVATE) LIMITED
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2018

	Notes	2018 US\$	2017 US\$
Interest and commission income	6.1	59,545,315	60,715,450
Interest and commission expense	6.2	(51,230,293)	(47,725,714)
Net interest and commission income		8,315,022	12,989,736
Other income	6.3	26,829,156	94,086
Operating costs	6.4	(5,241,304)	(1,180,731)
Profit for the year before impairment of financial assets		29,902,874	11,903,091
Financial assets impairment reversal/(allowance)	7	43,852,346	(129,815,698)
Profit/(Loss) for the year		73,755,220	(117,912,607)
Other comprehensive income (OCI)		-	-
Total comprehensive profit/(loss) for the year		73,755,220	(117,912,607)

ZIMBABWE ASSET MANAGEMENT CORPORATION (PRIVATE) LIMITED
STATEMENT OF FINANCIAL POSITION

As at 31 December 2018

	Notes	2018 US\$	2017 US\$
Assets			
Cash and bank balances	8	31,510,871	7,579,775
Receivables	9	1,248,829	443,037
Investment Property		37,681,910	-
Debt-asset conversion assets	10.2	77,875,428	87,867,136
Loans and advances	10.1	625,096,614	650,750,835
Local Shares	11	35,883,703	-
Preference shares held	12	9,943,579	72,063,176
Financial securities	13	42,771,689	40,721,028
Inventory		678,587	-
Assets under development	17	312,622	-
Property and equipment	18	555,921	522,106
Total Assets		863,559,753	859,947,093
Equity and Liabilities			
Capital and reserves			
Share capital	19	1,000	1,000
Share premium	19	35,286,521	286,521
Retained earnings	20	(295,641,997)	(115,003,952)
Total Shareholders funds		(260,354,476)	(114,716,431)
Liabilities			
Loans and borrowings	21	135,736,108	375,071,031
Treasury bills in issue	22	978,633,366	593,433,757
Deferred income	23	4,690,077	5,475,229
Payables	24	4,854,679	683,507
Total liabilities		1,123,914,230	974,663,525
Total equity and liabilities		863,559,753	859,947,093

ZIMBABWE ASSET MANAGEMENT CORPORATION (PRIVATE) LIMITED
STATEMENT OF FINANCIAL POSITION

As at 31 December 2018



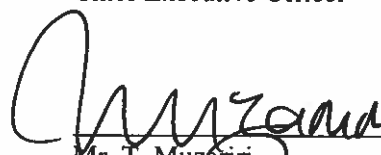
Mr. B. Mswaka
Chairman of the Board



Dr. C. Kanhai
Chief Executive Officer



Mr. W. Madera
Company Secretary



Mr. T. Muzariri
Chief Finance Officer

Date: 28 August 2019

ZIMBABWE ASSET MANAGEMENT CORPORATION (PRIVATE) LIMITED
STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2018

	Share Capital US\$	Share premium US\$	Accumulated Profit/(Loss) US\$	Total US\$
Audited 31 December 2016	1,000	286,521	2,908,655	3,196,176
Loss for the year*	-	-	(117,912,607)	(117,912,607)
Audited 31 December 2017	1,000	286,521	(115,003,952)	(114,716,431)
Impact of adopting IFRS 9	-	-	(254,393,265)	(254,393,265)
Restated balance as at 01 January 2018	1,000	286,521	(369,397,217)	(369,109,696)
Profit for the year	-	-	73,755,220	73,755,220
Share premium	-	35,000,000	-	35,000,000
Balance at 31 December 2018	1,000	35,286,521	(295,641,997)	(260,354,476)

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

For the year ended 31 December 2018

	NOTES	2018 US\$	2017 US\$
CASH FLOWS FROM OPERATING ACTIVITIES			
Operating cash flows			
Profit/(Loss) for the year		73,755,220	(117,912,67)
Adjustment for items not affecting cash flows			
-Depreciation		158,310	82,954
-Fair value adjustment		(21,729,293)	-
-Allowance for credit loss		(43,852,346)	-
Net cash inflow from operating activities		8,331,891	(372,213,423)
Decrease in receivables	14	239,179,771	85,906,683
(Increase) in inventory		(678,587)	-
(Decrease) /Increase in payables	15	(241,757,237)	33,115,202
Cash generated from operations		5,075,838	1,192,232
CASH FLOWS FROM INVESTING ACTIVITIES			
Investing activities			
Investment property		(15,952,617)	-
Purchase of property and equipment		(192,125)	(438,972)
Acquisition of portfolio investments	16	(391,007,942)	(160,089,283)
Net cash from investing activities		(407,152,684)	(160,528,255)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from long term borrowings	16	391,007,942	160,089,283
Advances from Shareholder		35,000,000	
Net cash from financing activities		426,007,942	160,089,283
NET INCREASE IN CASH AND CASH EQUIVALENTS		23,931,096	753,260
Cash and cash equivalents at beginning of the year		7,579,775	6,826,515
Cash and cash equivalents at end of the year	8	31,510,871	7,579,775

ZIMBABWE ASSET MANAGEMENT CORPORATION (PRIVATE) LIMITED
NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

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 functions of ZAMCO are as follows:

- a) To acquire, reschedule, dispose of, hold, manage, or otherwise settle non-performing loans of banking institutions;
- b) Manage, acquire, restructure and dispose of distressed or problem or failed banking institutions, on the direction of the Reserve Bank; and
- c) To perform other functions related to the acts mentioned in paragraphs a) and b) above.

2. BASIS OF PREPARATION

The financial statements of ZAMCO are prepared and presented in accordance with the IFRS as issued by the International Accounting Standards Board. The financial statements are prepared under the historical cost basis except for land, buildings, and some categories of financial instruments which 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 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 historical 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.

ZIMBABWE ASSET MANAGEMENT CORPORATION (PRIVATE) LIMITED
NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1 Revenue recognition

Revenue is the increase in economic benefits arising in the course of ZAMCO's ordinary activities during the accounting period in the form of inflows or enhancements of assets or decreases of liabilities that result in an increase in equity, other than those relating to contributions from equity participants.

3.1.1 Interest income

Interest income arises from ZAMCO's lending and money market activities. It is accrued on a time apportionment basis, by reference to the principal outstanding and at the interest rate applicable to the instrument as further explained in note 4.1.10.

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 Functional and presentation currency

These financial statements are presented in United States Dollars (US\$), being the currency of the primary economic environment in which the entity operates. Note 32.1 discusses new developments with respect to the functional currency for subsequent periods.

3.3 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.

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.

ZIMBABWE ASSET MANAGEMENT CORPORATION (PRIVATE) LIMITED
NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.3 Employee benefits

3.3.1 Retirement benefit costs

ZAMCO contributes towards a defined contribution plan. Contributions to this plan are recognised as an expense in the statement of profit or loss and other comprehensive income in the periods in which services are rendered by the employees.

3.3.2 Pension scheme

ZAMCO and its employees contribute 12% and 6% of pensionable earnings respectively to the Fintrust Pension Fund. Employer and employees contribute towards the mandatory National Social Security's Pension Scheme. The funds are defined contribution funds, 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 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) respectively.

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.

ZIMBABWE ASSET MANAGEMENT CORPORATION (PRIVATE) LIMITED
NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.5 Property and equipment (continued)

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 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.

ZIMBABWE ASSET MANAGEMENT CORPORATION (PRIVATE) LIMITED
NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

4. CHANGES IN ACCOUNTING POLICY

ZAMCO has adopted IFRS 9 as issued by the IASB in July 2014 with a date of transition of 1 January 2018, which resulted in changes in accounting policies and adjustments to the amounts provided for and recognized in the financial statements. ZAMCO did not early adopt IFRS 9 in previous periods.

As permitted by the transitional provisions of IFRS 9, ZAMCO elected not to restate comparative figures. Any adjustment to the carrying amounts of financial assets and liabilities at the date of transition were recognised in the opening retained earnings and other reserves for the current period.

Consequently, for notes and disclosure, the consequential amendments to IFRS 7 disclosures have also only been applied to the current period. The comparative period notes disclosures repeat those disclosures made in the prior year.

The adoption of IFRS 9 has resulted in changes in our accounting policies for recognition, classification and measurement of financial assets and financial liabilities and impairment of financial assets.

IFRS 9 also significantly amends other standards dealing with financial instruments such as IFRS 7 *Financial Instruments Disclosure*

4.1 Financial instruments

Financial assets and financial liabilities are recognised in ZAMCO's balance sheet when ZAMCO becomes a party to the contractual provisions of the instrument.

Recognised financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at FVTPL) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognised immediately in profit or loss.

If the transaction price differs from fair value at initial recognition, ZAMCO will account for such difference as follows:

- if fair value is evidenced by a quoted price in an active market for an identical asset or liability or based on a valuation technique that uses only data from observable markets, then the difference is recognised in profit or loss on initial recognition (i.e. day 1 profit or loss);

ZIMBABWE ASSET MANAGEMENT CORPORATION (PRIVATE) LIMITED
NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

4. CHANGES IN ACCOUNTING POLICIES (Continued)

4.1 Financial instruments (Continued)

- in all other cases, the fair value will be adjusted to bring it in line with the transaction price (i.e. day 1 profit or loss will be deferred by including it in the initial carrying amount of the asset or liability).

After initial recognition, the deferred gain or loss will be released to profit or loss on a rational basis, only to the extent that it arises from a change in a factor (including time) that market participants would consider when pricing the asset or liability.

4.1.1 Financial Assets and Financial Liabilities

ZAMCO classifies its financial instruments in the following categories: at fair value through profit and loss ("FVTPL"), at fair value through other comprehensive income ("FVTOCI") or at amortized cost. ZAMCO determines the classification of financial assets at initial recognition. The classification of debt instruments is driven by ZAMCO's business model for managing the financial assets and their contractual cash flow characteristics.

Equity instruments that are held for trading are classified as FVTPL, for other equity instruments, ZAMCO can make an irrevocable election (on an instrument-by-instrument basis) to designate them as at FVTOCI.

Financial liabilities are measured at amortized cost, unless they are required to be measured at FVTPL (such as instruments held for trading or derivatives) or ZAMCO has opted to measure them at FVTPL.

Set out below are disclosures relating to the impact of the adoption of IFRS 9 at ZAMCO. Further details of the specific IFRS 9 accounting policies applied in the current period (as well as the previous IAS 39 accounting policies applied in the comparative period) are described in more detail below.

4.1.2 Classification and Measurement of financial instruments

The measurement category and the carrying amount of financial assets and liabilities in accordance with IAS 39 and IFRS 9 at 1 January 2018 are compared as follows: (IFRS 7 par 421,a,b)

ZIMBABWE ASSET MANAGEMENT CORPORATION (PRIVATE) LIMITED
NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

4. CHANGES IN ACCOUNTING POLICIES (Continued)

Financial Instrument	IAS 39		IFRS 9	
	Classification	Carrying Amount	Classification	Carrying Amount
Assets				
Cash and bank balances	Amortised cost (Loans and receivables)	7,579,775.00	Fair value through profit or loss	7,579,775.00
Receivables	Amortised cost (Loans and receivables)	443,037.00	Amortised Cost	442,232.04
Debt-asset conversion assets	Amortised cost (Loans and receivables)	87,867,136.00	Amortised Cost	84,947,123.73
Loans and advances	Amortised cost (Loans and receivables)	650,750,835.00	Amortised cost	444,214,498
Preference shares held	Amortised cost (Loans and receivables)	72,063,176.00	Amortised cost	27,127,064.17
Financial securities	Amortised cost (Loans and receivables)	40,721,028.00	Fair value through profit or loss	40,721,028.00
Liabilities				
Loans and borrowings	Amortised cost	375,071,031.00	Amortised cost	375,071,031.00
Treasury bills in issue	Amortised cost	593,433,757.00	Amortised cost	593,433,757.00
Payables	Amortised cost	683,507.00	Amortised cost	683,507.00

- There were no changes to the classification and measurement of financial liabilities.

4.1.3 Reconciliation of Statement of Financial Position balances from IAS 39 to IFRS 9

ZAMCO performed a detailed analysis of its business models for managing financial assets and analysis of their cashflow characteristics. (IFRS 7 par 42J-O).

Refer to the note below for detailed analysis of regarding the new classification requirements under IFRS 9 where the change led to reclassifications or remeasurements (**where applicable**)

ZIMBABWE ASSET MANAGEMENT CORPORATION (PRIVATE) LIMITED
NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

4. CHANGES IN ACCOUNTING POLICIES (Continued)

The following table reconciles the carrying amounts of financial assets from their previous measurement categories in accordance with IAS 39 to their new measurement categories upon transition to IFRS 9 on 1 January 2018.

	IAS 39 Carrying Amount 31 December 2017	Reclassifications	Remeasurements	IFRS 9 carrying amount 1 January 2018
<i>Amortised Cost Financial Assets</i>				
Receivables	443,037.00		(804.96)	442,232.04
Debt-asset conversion assets	87,867,136.00		(2,920,012.27)	84,947,123.73
Loans and advances	650,750,835.00		(206,536,336.90)	444,214,498.10
Preference shares held	72,063,176.00		(44,936,111.83)	27,127,064.17
<i>Fair Value through Profit or Loss Financial Assets</i>				
Cash and bank	7,579,775.00	Loans and receivables to fair value through profit or loss	-	7,579,775.00
Financial securities	40,721,028.00	Loans and receivables to fair value through profit or loss	-	40,721,028.00
<i>Amortised cost Financial Liabilities</i>				
Loans and borrowings	375,071,031.00		-	375,071,031.00
Treasury bills in issue	593,433,757.00		-	593,433,757.00
Payables	683,507.00		-	683,507.00

ZIMBABWE ASSET MANAGEMENT CORPORATION (PRIVATE) LIMITED
NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

5. CHANGES IN ACCOUNTING POLICIES (Continued)

As ZAMCO is not restating prior periods, it has recognized the effects of retrospective application to Equity at the beginning of the 2019 annual reporting period that includes the date of initial application. Therefore, the adoption of IFRS 9 resulted in a decrease to opening distributable reserves on January 1, 2018 of \$254 million.

4.1.4 Reconciliation of Impairment Allowance Balance from IAS 39 to IFRS 9

The following table reconciles the prior period's closing impairment allowance measured in accordance with IAS 39 incurred loss model to the new impairment allowance measured in accordance with IFRS 9 expected loss model at 1 January 2018. (IFRS 7 par 42P)

Measurement Category	Loan Allowance under IAS 39	Loss	Reclassification	Remeasurement	Loan Allowance under IFRS 9	Loss under
Loans and Receivables IAS 39 /Amortised Cost IFRS 9						
Receivables		-	-	(804.96)		(804.96)
Debt-asset conversion assets		-	-	(2,920,012.27)		(2,920,012.27)
Loans and advances	(139,960,572.00)		-	(206,536,336.90)		(346,496,908.88)
Preference shares held				(44,936,111.83)		(44,936,111.83)

4.1.5 Measurement

4.1.5.1 Financial assets at FVTOCI

Elected investments in equity instruments at FVTOCI are initially recognized at fair value plus transaction costs. Subsequently they are measured at fair value, with gains and losses arising from changes in fair value recognized in other comprehensive (loss) income.

4.1.5.2 Financial assets and liabilities at amortized cost

Financial assets and liabilities at amortized cost are initially recognized at fair value, and subsequently carried at amortized cost less any impairment.

ZIMBABWE ASSET MANAGEMENT CORPORATION (PRIVATE) LIMITED
NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

4. CHANGES IN ACCOUNTING POLICIES (Continued)

4.1.5.3 Financial assets and liabilities at FVTPL

Financial assets and liabilities carried at FVTPL are initially recorded at fair value and transaction costs are expensed in the statement of comprehensive income. Realized and unrealized gains and losses arising from changes in the fair value of the financial assets and liabilities held at FVTPL are included in the statement of comprehensive income in the period in which they arise. Where management has opted to recognize a financial liability at FVTPL, any changes associated with the entity's own credit risk will be recognized in other comprehensive (loss) income.

4.1.6 Impairment of financial assets at amortized cost

ZAMCO recognizes a loss allowance for expected credit losses on financial assets that are measured at amortized cost. At each reporting date, ZAMCO measures the loss allowance for the financial asset at an amount equal to the lifetime expected credit losses if the credit risk on the financial asset has increased significantly since initial recognition. If at the reporting date, the financial asset has not increased significantly since initial recognition, ZAMCO measures the loss allowance for the financial asset at an amount equal to twelve month expected credit losses.

ZAMCO assesses all information available, including on a forward-looking basis, the expected credit losses associated with its assets carried at amortized cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk. To assess whether there is a significant increase in credit risk, the ZAMCO compares the risk of a default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition based on all information available, and reasonable and supportive forward-looking information.

For financial assets, the ZAMCO applies the general approach as permitted by IFRS 9 which requires expected lifetime losses to be recognized when there has been a significant increase in credit risk.

Impairment losses on financial assets carried at amortized cost are reversed in subsequent periods if the amount of the loss decreases and the decrease can be objectively related to an event occurring after the impairment was recognized.

4.1.6.1 Definition of default

Critical to the determination of ECL is the definition of default. The definition of default is used in measuring the amount of ECL and in the determination of whether the loss allowance is based on 12-month or lifetime ECL, as default is a component of the probability of default (PD) which affects both the measurement of ECLs and the identification of a significant increase in credit risk.

ZIMBABWE ASSET MANAGEMENT CORPORATION (PRIVATE) LIMITED
NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

4. CHANGES IN ACCOUNTING POLICIES (Continued)

ZAMCO considers the following as constituting an event of default:

- the financial asset is past due more than 90 days on any material credit obligation to ZAMCO; or
- the financial asset is unlikely to pay its credit obligations to ZAMCO in full.

The definition of default is appropriately tailored to reflect different characteristics of different types of assets.

When assessing if the borrower is unlikely to pay its credit obligation, ZAMCO considers both qualitative and quantitative indicators. The information assessed depends on the type of the asset and sources of information to assess default which are either developed internally or obtained from external sources.

4.1.6.2 Significant increase in credit risk

ZAMCO monitors all financial assets, contracts that are subject to the impairment requirements to assess whether there has been a significant increase in credit risk since initial recognition. If there has been a significant increase in credit risk ZAMCO will measure the loss allowance based on lifetime rather than 12-month ECL.

ZAMCO's accounting policy is to use the practical expedient that financial assets with 'low' credit risk at the reporting date are deemed not to have had a significant increase in credit risk.

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, ZAMCO compares the risk of a default occurring on the financial instrument at the reporting date based on the remaining maturity of the instrument with the risk of a default occurring that was anticipated for the remaining maturity at the current reporting date when the financial instrument was first recognised. In making this assessment, ZAMCO considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort, based on the ZAMCO's historical experience and expert credit assessment including forward-looking information.

Multiple economic scenarios form the basis of determining the probability of default at initial recognition and at subsequent reporting dates. Different economic scenarios will lead to a different probability of default. It is the weighting of these different scenarios that forms the basis of a weighted average probability of default that is used to determine whether credit risk has significantly increased.

ZIMBABWE ASSET MANAGEMENT CORPORATION (PRIVATE) LIMITED
NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

4. CHANGES IN ACCOUNTING POLICIES (Continued)

4.1.6.3 Write-off

Financial assets are written off when ZAMCO has no reasonable expectations of recovering the financial asset (either in its entirety or a portion of it). This is the case when ZAMCO determines that the borrower does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. A write-off constitutes a derecognition event.

4.1.6.4 Presentation of allowance for ECL in the statement of financial position

Loss allowances for ECL are presented in the statement of financial position for financial assets measured at amortised cost: as a deduction from the gross carrying amount of the assets.

4.1.7 Derecognition

4.1.7.1 Financial assets

ZAMCO derecognizes financial assets only when the contractual rights to cash flows from the financial assets expire, or when it transfers the financial assets and substantially all the associated risks and rewards of ownership to another entity. Gains and losses on derecognition are generally recognized in the statement of comprehensive. However, gains and losses on derecognition of financial assets classified as FVTOCI remain within the accumulated other comprehensive (loss) income.

4.1.7.2 Financial liabilities

ZAMCO derecognizes financial liabilities only when its obligations under the financial liabilities are discharged, cancelled or expired. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognized in the statements of comprehensive income.

4.1.8 Fair Values

Fair values have been determined for measurement and/or disclosure purposes based on the following methods.

ZAMCO characterizes inputs used in determining fair value using a hierarchy that prioritizes inputs depending on the degree to which they are observable. The three levels of the fair value hierarchy are as follows:

ZIMBABWE ASSET MANAGEMENT CORPORATION (PRIVATE) LIMITED
NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

4. CHANGES IN ACCOUNTING POLICIES (Continued)

- Level 1: fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: fair value measurements are those derived from inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3: fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The carrying values of cash and cash equivalents, accounts receivable, and accounts payable and accrued liabilities approximated their fair values because of the short-term nature of these financial instruments.

The carrying values of receivables, approximated their fair values because the carrying values represented the amounts that ZAMCO would receive or pay if those financial instruments were to settle as of 31 December 2018.

The carrying value of unquoted securities was based unobservable inputs in calculating the fair value. The value of the shares as at 31 December 2018 and was therefore considered to be Level 3.

4.1.9 Use of Judgements and Estimates

The preparation of the financial statements in accordance with IFRS requires ZAMCO to make estimates and assumptions that affect the reported amounts of assets, liabilities, fund income and expenses and disclosure of contingent resources and contingent liabilities. Future events may occur which will cause the assumptions used in arriving at the estimates to change.

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. While the estimates are based on the most reliable data available, actual results, in the near term, could differ significantly from those estimates depending upon certain events and uncertainties, including:

The timing and extent of losses ZAMCO incurs as a result of future failures of

- Balance disputes;
- Entities that are closed;
- The ability to recover its receivables;
- Expectations of the liquidation of entities; and
- The probability of recovery through successful lawsuits as appropriate against relevant parties.

ZIMBABWE ASSET MANAGEMENT CORPORATION (PRIVATE) LIMITED
NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

4. CHANGES IN ACCOUNTING POLICIES (Continued)

The following are the critical judgements, apart from those involving estimations, that the directors have made in the process of applying ZAMCO's accounting policies and that have the most significant effect on the amounts recognised in financial statements:

- **Business model assessment:** Classification and measurement of financial assets depends on the results of the SPPI and them business model test. ZAMCO determines the business model at a level that reflects how groups of financial assets are managed together to achieve a particular business objective. This assessment includes judgement reflecting all relevant evidence including how the performance of the assets is evaluated and their performance measured, the risks that affect the performance of the assets and how these are managed. ZAMCO monitors financial assets measured at amortised cost or fair value through other comprehensive income that are derecognized prior to their maturity to understand the reason for their disposal and whether the reasons are consistent with the objective of the business for which the asset was held.

Monitoring is part of ZAMCO's continuous assessment of whether the business model for which the remaining financial assets are held continues to be appropriate and if it is not appropriate whether there has been a change in business model and so a prospective change to the classification of those assets.

- **Significant increase of credit risk:** As explained in note above, ECL are measured as an allowance equal to 12-month ECL for stage 1 assets, or lifetime ECL assets for stage 2 or stage 3 assets. An asset moves to stage 2 when its credit risk has increased significantly since initial recognition. IFRS 9 does not define what constitutes a significant increase in credit risk. In assessing whether the credit risk of an asset has significantly increased ZAMCO considers qualitative and quantitative reasonable and supportable forward-looking information. Refer to note 1 and note 3 for more details.

- **Establishing groups of assets with similar credit risk characteristics:** When ECLs are measured on a collective basis, the financial instruments are grouped on the basis of shared risk characteristics. ZAMCO monitors the appropriateness of the credit risk characteristics on an ongoing basis to assess whether they continue to be similar. This is required in order to ensure that should credit risk characteristics change there is appropriate re-segmentation of the assets. This may result in new portfolios being created or assets moving to an existing portfolio that better reflects the similar credit risk characteristics of that group of assets. Resegmentation of portfolios and movement between portfolios is more common when there is a significant increase in credit risk (or when that significant increase reverses) and so assets move from 12-month to lifetime ECLs, or vice versa, but it can also occur within portfolios that continue to be measured on the same basis of 12-month or lifetime ECLs but the amount of ECL changes because the credit risk of the portfolios differ.

ZIMBABWE ASSET MANAGEMENT CORPORATION (PRIVATE) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

4. CHANGES IN ACCOUNTING POLICIES (Continued)

- Models and assumptions used: ZAMCO uses various models and assumptions in measuring fair value of financial assets as well as in estimating ECL. Judgement is applied in identifying the most appropriate model for each type of asset, as well as for determining the assumptions used in these models, including assumptions that relate to key drivers of credit risk.

1. Trade receivables

In coming up with the ECL on financial assets, management considered the nature of ZAMCO's debtors, the historical performance of the debtors, and current and forward-looking information. The general approach as permitted by IFRS 9 was used in computing ECL on trade debtors.

2. Staff Receivables

Staff loans are not collateralized, which has the effect of increasing the ECL on the loans. In computing probabilities of default, management decided to make use of RBZ default rates on personal loans and staff turnover ratios for the entity. Staff debtors are however considered to be low risk as the repayments are deducted at source.

4.1.10 Income

Interest Income

Interest income for all financial instruments except for those designated as at FVTPL is recognised as 'Interest income' in the profit or loss account using the effective interest method. Interest on financial instruments measured as at FVTPL is included within the fair value movement during the period.

The effective interest rate (EIR) is the rate that exactly discounts estimated future cash flows of the financial instrument through the expected life of the financial instrument or, where appropriate, a shorter period, to the net carrying amount of the financial asset or financial liability. The future cash flows are estimated considering all the contractual terms of the instrument. The calculation of the EIR includes all fees and points paid or received between parties to the contract that are incremental and directly attributable to the specific lending arrangement, transaction costs, and all other premiums or discounts. For financial assets at FVTPL transaction costs are recognised in profit or loss at initial recognition.

The interest income is calculated by applying the EIR to the gross carrying amount of non-credit impaired financial assets (i.e. at the amortised cost of the financial asset before adjusting for any expected credit loss allowance), or to the amortised cost of financial liabilities. For credit-impaired financial assets the interest income is calculated by applying the EIR to the amortised cost of the credit-impaired financial assets (i.e. the gross carrying amount less the allowance for expected credit losses (ECLs)). For financial assets originated or purchased credit-impaired (POCI) the EIR reflects the ECLs in determining the future cash flows expected to be received from the financial asset.

ZIMBABWE ASSET MANAGEMENT CORPORATION (PRIVATE) LIMITED
NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

4. CHANGES IN ACCOUNTING POLICIES (Continued)

Income from financial instruments at FVTPL

Income from financial instruments at FVTPL includes all gains and losses from changes in the fair value of financial assets and financial liabilities at FVTPL. ZAMCO has elected to present the full fair value movement of assets and liabilities at FVTPL, including the related interest income, expense and dividends.

- 4.2 IFRS 15 “Revenue from Contracts with Customers”**, with effect from 1 January 2018, replaces the existing revenue standards and related interpretations. The standard sets out the requirements for recognising revenue that applies to all contracts with customers (except for contracts that are within the scope of the standards on leases, insurance contracts or financial instruments). The core principle of the standard is that revenue recognised reflects the consideration to which the company expects to be entitled in exchange for the transfer the promised goods or services to the customer. The standard provides a five step analysis to determine the amount and timing of revenue to be recognised. ZAMCO adopted IFRS 15 on 1 January 2018 and did not adjust comparative financial results, as permitted by IFRS 15. The standard does not impact ZAMCO’s revenue since it does not apply to revenue associated with financial instruments.

4.3 Early adoption of issued but not yet effective standards

ZAMCO did not opt to adopt early the various standards and interpretations that are in issue but not yet effective, as such they do not have an impact on the disclosures herein contained. ZAMCO is currently assessing the impact of the standards yet to be effective.

5. 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.

5.1 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.

ZIMBABWE ASSET MANAGEMENT CORPORATION (PRIVATE) LIMITED
NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

**5. CRITICAL JUDGMENTS AND KEY SOURCES OF ESTIMATION IN APPLYING
ZAMCO'S ACCOUNTING POLICIES (Continued)**

5.2 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. Despite a net liability position presented in these financial statements, the support from the Reserve Bank and Government of Zimbabwe ensures that the corporation will fully discharge its mandate. Therefore, the financial statements continue to be prepared on the going concern basis.

5.3 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

5.4 Impairment of financial assets

In assessing impairment, ZAMCO classifies its financial instruments according to the likelihood of default, with classes ranging from stage 1 (initial recognition and up-to date accounts), stage 2 (accounts with increased credit risk) to stage 3 (accounts in default). Mathematical models incorporating probabilities of default, exposure at default, loss given defaults and recovery rates are employed to determine the expected credit losses which become the impairment provisions.

ZIMBABWE ASSET MANAGEMENT CORPORATION (PRIVATE) LIMITED
NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

6 INCOME AND EXPENDITURE

6.1 Interest and Fee income comprises:

	2018	2017
	US\$	US\$
Interest income	53,582,135	54,212,779
Preference share coupon income	4,967,572	5,406,961
Facility fees	781,853	755,675
Money market investments income	173,995	340,035
Sundry income	-	-
	<u>59,545,315</u>	<u>60,715,450</u>

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. Income decreased during the period due to the suspension of interest on some loan accounts.

6.2 Interest and Fee expense comprises:

Interest expense on Treasury bills issued	39,519,617	26,813,315
Interest on CBZ Facility	8,839,127	17,439,359
Interest expense on PTA facility	2,823,076	3,365,858
Commission paid	30,157	103,435
Bank charges	18,316	3,747
	<u>51,230,293</u>	<u>47,725,714</u>

Interest expense consists mainly of interest on Treasury Bills issued for loan acquisitions, which carry a coupon of 5% p.a. payable semi-annually. The CBZ loan facility at 8% p.a. was paid off during the period using treasury bills. The PTA facility charges interest at 8.25% p.a. Additional loans were acquired in 2018 giving rise to more Treasury bills being issued, resulting in higher interest expense charges.

ZIMBABWE ASSET MANAGEMENT CORPORATION (PRIVATE) LIMITED
NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

	2018	2017
	US\$	US\$
6 INCOME AND EXPENDITURE (continued)		
6.3 Other income		
Rental Income	1,183,740	31,000
Mark to market gain	3,913,070	-
Profit on Resolution	-	27,181
Fair Value adjustment	21,729,293	
Other Income	3,053	35,905
	26,829,156	94,086
Other income refers to rental income from operating leases on ZAMCO properties acquired through debt asset swaps, mark to market gain on Star Africa shares, revaluation gain on investment property as well as income from non-lending activities.		
6.4 Operating expenses	5,241,304	1,180,731
Operating expenses include:		
Auditors' remuneration	71,107	38,036
Depreciation of property and equipment	158,310	82,954
Utility bills and telecommunication	31,291	24,931
Rent and rates	17,714	19,447
Loans Written Off	2,948,271	-
Other expenses	531,951	198,040
Employee benefits	1,382,260	711,923
-Salaries and allowances	1,139,214	595,919
-Pension and medical aid contributions	168,796	71,676
-Leave pay provision	74,250	44,328
Directors Fees	100,400	105,400
7 IMPAIRMENT OF FINANCIAL ASSETS	US\$	US\$
Opening balance 1 January	394,353,838	10,144,874
(Reversal)/Allowance for the year	(43,852,346)	129,815,698
IFRS 9 Adjustment	-	254,393,266
Closing balance 31 December	350,501,492	394,353,838

ZIMBABWE ASSET MANAGEMENT CORPORATION (PRIVATE) LIMITED
NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

7 IMPAIRMENT OF FINANCIAL ASSETS (Continued)

In accordance with its mandate and the Banking Amendment Act 2015, ZAMCO purchases non-performing loans from banks. On acquisition, these non-performing loans are impaired in the books of selling Banks and they carry the same state when they move to ZAMCO.

The changes in impairment are mainly attributable to revaluations of securities held, which increased cover to loan exposures. A thorough examination of each acquired loan was conducted at year end and it was concluded that there needs to be a reversal for impairment of the purchased NPLs amounting to (2018: \$43,852,346). Interest income has since been suspended on accounts that have been assessed as impaired

	2018	2017
	US\$	US\$
8 CASH AND BANK BALANCES		
Short term investments	28,436,387	3,672,442
Bank balances	3,074,217	3,907,314
Cash at hand	267	19
	<u>31,510,871</u>	<u>7,579,775</u>

Cash and Bank Balances comprise cash on hand, demand deposits with local banks and short term investments. Short term investments earn interest at rates between 3.5 – 7% p.a.

	2018	2017
	US\$	US\$
9 RECEIVABLES		
Other receivables	1,250,208	443,037
Impairment	(1,379)	-
	<u>1,248,829</u>	<u>443,037</u>

Other receivables include staff loans, rent receivables and prepayments for operating expenses

ZIMBABWE ASSET MANAGEMENT CORPORATION (PRIVATE) LIMITED
NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

10 LOANS, ADVANCES AND DEBT CONVERSION

	2018	2017
	US\$	US\$
10.1 LOANS AND ADVANCES		
Loans and advances	943,556,135	790,711,408
Impairment of financial assets	(318,459,521)	(139,960,572)
	<u>625,096,614</u>	<u>650,750,835</u>

During the year, there were significant acquisitions of NPLs that were restructured and currently form part of the ZAMCO income earning asset base. Loans and advances earn interest at rates between 5 – 10% p.a.

10.2 DEBT ASSET CONVERSION ASSETS

Debt-asset conversion assets	79,767,057	87,867,136
Impairment	(1,891,629)	-
	<u>77,875,428</u>	<u>87,867,136</u>

Debt asset conversion assets refer to loans that have been resolved through debt asset conversions. These assets are at various stages of conveyancing.

11 LOCAL SHARES

Local Shares held	<u>35,883,703</u>	<u>-</u>
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Local shares are equity investments in Star Africa which are carried at fair value through profit and loss.

ZIMBABWE ASSET MANAGEMENT CORPORATION (PRIVATE) LIMITED
NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

	2018 US\$	2017 US\$
12 PREFERENCE SHARES HELD		
Preference Shares held	40,092,543	72,063,176
Impairment	(30,148,964)	-
	9,943,579	72,063,176
<p>The preference shares are held in entities whose debts, owing to ZAMCO, were converted on restructuring. ZAMCO converted Star Africa preference shares into ordinary Shares.</p>		
13 FINANCIAL SECURITIES		
Treasury Bills (TBs)	42,771,689	40,721,028
<p>Included in financial securities are \$38m TBs received from the Government of Zimbabwe as security on the IDBZ facility. Also included are TBs received from various client as loan repayments.</p>		
14 CHANGE IN RECEIVABLES		
Change in loans and advances	137,029,768	(48,504,824)
Change in debt asset conversion	(7,071,695)	87,867,136
Change in preference shares held	(17,183,485)	31,970,615
Change in financial securities	2,050,661	2,438,025
Change in receivables	806,597	411,648
Change in assets in transit	312,622	-
Local Shares	35,883,703	-
Increase in receivables	151,828,171	74,182,600
Less acquisitions during the year	(391,007,942)	(160,089,283)
Net decrease /(increase) in receivables	(239,179,771)	(85,906,683)

ZIMBABWE ASSET MANAGEMENT CORPORATION (PRIVATE) LIMITED
NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

	2018	2017
	US\$	US\$
15 CHANGE IN PAYABLES		
Change in Treasury bills in issue	385,199,609	143,685,021
Change in loans and borrowings	(239,334,925)	46,384,280
Change in deferred income	(785,152)	2,863,353
Change in sundry payables	4,171,173	28,931
Increase in payables	149,250,705	193,024,485
Less TBs and Loans utilised for acquisitions	(391,007,942)	(160,089,283)
Net increase in payables	(241,757,237)	33,115,202
16 ACQUISITIONS/LONG TERM BORROWINGS		
Closing Balance of Treasury bills	978,633,366	593,433,757
Opening balance of Treasury bills	593,433,757	449,748,736
Change in Treasury bills in issue	385,199,609	143,685,021
Acquisition holding - Pre TB Issuance	5,808,333	16,404,262
Net increase in Acquisitions/ long term borrowings	391,007,942	160,089,283
17 ASSETS UNDER DEVELOPMENT		
Assets under development	312,622	-
The assets under development relate to Loan Management System development costs		

ZIMBABWE ASSET MANAGEMENT CORPORATION (PRIVATE) LIMITED
NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

18 PROPERTY AND EQUIPMENT

	Computer Hardware US\$	Computer Software US\$	Furniture & Fittings US\$	Office Equipment US\$	Motor Vehicles US\$	Total US\$
COST:						
At 01 January 2017	42,127	5,295	37,276	40,261	85,660	210,619
Additions	8,502	-	5,090	4,031	421,350	438,973
Disposals	0	-	-	-	-	0
At 31 December 2017	50,629	5,295	42,366	44,292	507,010	649,592
Additions	64,199	56,064	34,461	37,401	-	192,125
At 31 December 2018	114,828	61,359	76,827	81,693	507,010	841,717
DEPRECIATION:						
At 01 January 2017	13,968	2,129	3,552	16,494	8,388	144,531
Disposals	0	-	-	-	-	0
Depreciation charge for the year	11,576	1,324	3,848	10,348	55,859	82,955
At 31 December 2017	25,544	3,453	7,400	26,842	64,247	127,486
Depreciation charge for the year	21,147	10,668	6,830	18,263	101,402	158,310
At 31 December 2018	46,691	14,121	14,230	45,105	165,649	285,796
Net Book Value:						
At 01 January 2017	28,159	3,166	33,724	23,767	77,272	166,088
At 31 December 2017	25,085	1,842	34,966	17,450	442,763	522,106
At 31 December 2018	68,137	47,238	62,597	36,588	341,361	555,921

ZIMBABWE ASSET MANAGEMENT CORPORATION (PRIVATE) LIMITED
NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

		2018	2017
		US\$	US\$
19 SHARE CAPITAL			
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		35,286,521	286,521
		<u>35,287,521</u>	<u>287,521</u>

ZAMCO's issued share capital is held by the Reserve Bank of Zimbabwe. In accordance with the provisions of the Companies Act [Chapter 24:01], the unissued ordinary shares of the corporation are under the control of the Board of Directors. Additional capital of US\$35 million was injected by the shareholder.

20 RETAINED EARNINGS			
Opening balance	(115,003,952)	2,908,655	
IFRS 9 Adjustment	(254,393,265)	-	
(Loss)/ Profit for the year	73,755,220	(117,912,607)	
Balance at year end	<u>(295,641,997)</u>	<u>(115,003,952)</u>	

21 LOANS AND BORROWINGS

NAME	RATE	TENURE	SECURITY PLEDGED	2018 US\$	2017 US\$
PTA Bank	8.25	8 Years	-	30,172,822	36,705,987
IDBZ Foreign Loans [#]	0%	-	-	38,283,003	38,283,003
CBZ Loan Facility	8%	8years	-	0	235,431,348
Other Loans and Dues*	0-5%	-	-	67,280,283	64,650,693
TOTAL				<u>135,736,108</u>	<u>375,071,031</u>

[#] The IDBZ foreign loans do not have a defined term as they are dependent on the ability of IDBZ to raise funding to extinguish the debts. CBZ loan facility was paid off during the period using treasury bills.

ZIMBABWE ASSET MANAGEMENT CORPORATION (PRIVATE) LIMITED
NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

	2018	2017
	US\$	US\$
21.1 OTHER LOANS AND DUES		
PTA Repayments	45,020,842	28,797,920
TB Coupon & Capital payments – 2018	821,752	25,539,876
Interest due and payable	16,720,171	7,771,013
Business resuscitation fund (RBZ)	4,717,518	2,541,884
	<u>67,280,283</u>	<u>64,650,693</u>

Other loans and dues include Reserve Bank of Zimbabwe intercompany loans arising from PTA repayments and TB coupons paid by the Reserve Bank, interest accrued on the Treasury bills in issue. No tenures have been agreed upon with respect to the intercompany loans. The Treasury bill interest is accrued up to six (6) months. The increase relates mainly to PTA facility repayments done by the RBZ on ZAMCO's behalf.

22 TREASURY BILLS IN ISSUE

<u>978,633,366</u>	<u>593,433,757</u>
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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. The increase in treasury bills resulted from more acquisitions of NPLs being concluded.

23 DEFERRED INCOME

<u>4,690,077</u>	<u>5,475,229</u>
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Refers to facility fees charged by ZAMCO on restructuring a loan. The deferred income is amortised over the lifespan of the facility.

ZIMBABWE ASSET MANAGEMENT CORPORATION (PRIVATE) LIMITED
NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

	2018 US\$	2017 US\$
24 PAYABLES		
Reserve Bank of Zimbabwe Intercompany Balances	-	258,503
Other Payables	4,854,679	425,004
Balance for the year	4,854,679	683,507
Intercompany balance relates to transactions done by the Reserve Bank of Zimbabwe on behalf of ZAMCO and was paid off during the year. Other payables include legal fees accrued, Audit fees provision and provisions for leave pay.		
24.1 LEAVE PAY PROVISION		
Opening balance 1 January	62,382	19,782
Gross provisions for the year	74,250	44,328
Paid out during the year	(75,278)	(1,728)
Closing balance 31 December	61,354	62,382
24.2 AUDIT FEES PROVISION		
Opening balance 1 January	38,036	30,188
Charge for the year	71,107	38,036
Paid during the year	(83,140)	(30,188)
Closing balance 31 December	26,003	38,036
25 CONTINGENT LIABILITIES, COMMITMENTS AND OTHER CONTINGENCIES		
There were no contingent liabilities at year end.		
26 CAPITAL COMMITMENTS	2018 US\$	2017 US\$
Opening Balance	204,100	-
New commitments- authorised and contracted:	-	204,100
Paid during the year	(164,430)	-
	39,670	204,100

ZIMBABWE ASSET MANAGEMENT CORPORATION (PRIVATE) LIMITED
NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

26. CAPITAL COMMITMENTS (Continued)

There were no new capital commitments made in 2018.

27 RETIREMENT BENEFIT SCHEMES

27.1 National Social Security Authority (NSSA) scheme

The Employees are 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\$16,897 (2017: \$7,565) towards this plan and the cost is included in the staff costs.

27.2 Fintrust Pension Fund

ZAMCO staff joined the RBZ initiated Fintrust Pension Fund, which is managed by Comarton Consultants with effect from 1 January 2017. The fund is a defined contribution plan, towards which the employee contributes 6% of basic earnings, whilst the employer contributes 12%. During the year ZAMCO contributed \$92,487 towards the fund.

27.2 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.

	2018 US\$	2017 US\$
27.3 Contributions recognized as an expense during the year		
National Social Security Authority Scheme	16,897	7,565
Fintrust Pension Fund	92,487	34,330
	109,384	41,895

28 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.

ZIMBABWE ASSET MANAGEMENT CORPORATION (PRIVATE) LIMITED
NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

28.1 Classification of Financial Assets and Liabilities (2018)

	Amortised Cost US\$	Fair Value through Profit and Loss US\$	Total US\$
Financial Assets			
Loans and advances	625,096,613	-	625,096,613
Debt asset conversion assets	77,875,428	-	77,875,428
Preference shares held	9,943,579	-	9,943,579
Local Shares	35,883,703	-	35,883,703
Receivables	1,248,829	-	1,248,829
Financial securities	-	42,771,689	42,771,689
Cash and bank balances	-	31,510,871	31,510,871
Total	750,048,152	74,282,560	824,330,712
Financial Liabilities			
Treasury bills in issue	978,633,366	-	978,633,366
Long term loans & borrowings	68,455,825	-	68,455,825
Other loans and dues*	67,280,283	-	67,280,283
Payables	4,854,679	-	4,854,679
Total	1,119,224,153	-	1,119,224,153

* Other loans and dues include intercompany loans and interest accrued on treasury bills in issue

ZIMBABWE ASSET MANAGEMENT CORPORATION (PRIVATE) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

28.1 Classification of Financial Assets and Liabilities (2017)

	Carrying Amount		Amortised Cost		Fair Value through Profit and Loss			Total Amount
	31 Dec '17	US\$	Adjustment	1 Jan '18	Carrying Amount 31 Dec '17	Adjustment	Carrying Amount 1 Jan '18	1 Jan '18
		US\$		US\$	US\$		US\$	US\$
Financial Assets								
Loans and advances	650,750,835		231,031,890	419,718,945	-	-	-	419,718,945
Debt asset conversion assets	87,867,136		12,443,024	75,424,112	-	-	-	75,424,112
Preference shares held	72,063,176		10,917,546	61,145,630	-	-	-	61,145,630
Receivables	443,037		805	442,232	-	-	-	442,232
Financial securities	-		-	-	40,721,028	-	40,721,028	40,721,028
Cash and bank balances	-		-	-	7,579,775	-	7,579,775	7,579,775
Total	811,124,184		254,393,265	556,730,919	48,300,803	-	48,300,803	605,031,722
Financial Liabilities								
Treasury bills in issue	593,443,757		-	593,433,757	-	-	-	593,433,757
Long term loans & borrowings	310,420,339		-	310,420,339	-	-	-	310,420,339
Other loans and dues*	64,650,693		-	64,650,693	-	-	-	64,650,693
Payables	683,507		-	683,507	-	-	-	683,507
Total	969,188,296		-	969,188,296	-	-	-	969,188,296

ZIMBABWE ASSET MANAGEMENT CORPORATION (PRIVATE) LIMITED
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2018

28. FINANCIAL AND RISK MANAGEMENT (continued)

28.2 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

28.3 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.

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

	2018	2017
	US\$	US\$
Financial assets		
Loans and advances	625,096,613	396,357,570
Preference shares held	9,943,579	72,063,176
Financial securities	42,771,689	40,721,028
Total	677,811,881	509,141,774
Financial Liabilities		
Loans and borrowings	68,455,825	310,420,339
Treasury bills in issue	978,633,366	593,433,757
Other loans and dues	67,280,283	64,650,693
Total	1,114,369,474	968,504,789

ZIMBABWE ASSET MANAGEMENT CORPORATION (PRIVATE) LIMITED
NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

28. FINANCIAL AND RISK MANAGEMENT (continued)

28.4 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 held in US\$ (ZAMCO's functional currency) hence the corporation was not exposed to currency risk at year end.

28.5 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 ZAMCO 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.

28.5.1 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.

ZIMBABWE ASSET MANAGEMENT CORPORATION (PRIVATE) LIMITED
NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

28. FINANCIAL AND RISK MANAGEMENT (continued)

28.5 Credit risk (continued)

28.5.2 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.

Internal Ratings Scale

Rating Grade	Description of the rating
1	Pass
2	Special Mention
3	Sub-Standard
4	Doubtful and bad
5	Loss

ZIMBABWE ASSET MANAGEMENT CORPORATION (PRIVATE) LIMITED
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2018

28. FINANCIAL AND RISK MANAGEMENT (continued)

28.5 Credit risk continued

	Neither Past Due/nor impaired	Past due not impaired	Past due and impaired	Total
	US\$	US\$	US\$	US\$
Credit risk Analysis 2018				
Cash and bank balances	31,510,871	-	-	31,510,871
Receivables	1,248,829	-	-	1,248,829
Loans and advances to clients	601,888,949	23,207,664	-	625,096,613
Debt asset conversion assets	77,875,428	-	-	77,875,428
Preference shares held	9,943,579	-	-	9,943,579
Total non-derivative assets	722,467,656	23,207,664	-	745,675,320
Credit risk Analysis 2017				
Cash and bank balances	7,579,775	-	-	7,579,775
Receivables	443,037	-	-	443,037
Loans and advances to clients	616,412,423	34,338,412	-	650,750,835
Debt asset conversion assets	87,867,136	-	-	87,867,136
Preference shares held	72,063,176	-	-	72,063,176
Total non-derivative assets	784,365,547	34,338,412	-	818,703,959

ZIMBABWE ASSET MANAGEMENT CORPORATION (PRIVATE) LIMITED
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2018

28. FINANCIAL AND RISK MANAGEMENT (continued)

28.6 Credit risk exposure

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

	2018	2017
	US\$	US\$
Cash and bank balances	31,510,871	7,579,775
Receivables	1,248,829	443,037
Loans and advances	625,096,613	650,750,835
Debt Asset Conversion Assets	77,875,428	87,867,136
Preference shares held	9,943,579	72,063,176
Total	745,675,320	818,703,959

ZAMCO held collateral worth US\$703 million (2017 – US\$550 million) on advances to clients. The collateral held by ZAMCO is in the form of real estate.

28.7 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.

ZIMBABWE ASSET MANAGEMENT CORPORATION (PRIVATE) LIMITED
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2018

28.7 Liquidity risk continued

28.7.1 Maturity Analysis (2018)	On demand	Due between 0-3 months	Due between 3-12 months	Due between 1-5 years	Due After 5 years	Total carrying amount
	US\$	US\$	US\$	US\$	US\$	US\$
Non-derivative liabilities						
Loans and borrowings	-	13,029,171	10,138,065	74,285,869	38,283,003	135,736,108
Treasury bills in issue	-	-	3,510,571	46,463,808	928,658,987	978,633,366
Payables	4,854,679	-	-	-	-	4,854,679
Total non-derivative liabilities	4,854,679	13,029,171	13,648,636	120,749,677	966,941,990	1,119,224,153
Assets held for managing liquidity risk						
Cash and bank balances	31,510,871	-	-	-	-	31,510,871
Financial Securities	4,488,686	-	-	-	38,283,003	42,771,689
Loans and receivables	23,207,664	12,681,117	67,223,356	236,116,779	267,363,979	606,592,895
Debt asset conversion assets	-	-	-	77,875,428	-	77,875,428
Preference shares held	-	-	-	9,943,579	-	9,943,579
Local Shares	-	35,883,703	-	-	-	35,883,703
Total assets held for managing liquidity risk	59,207,221	48,564,820	67,223,356	323,935,786	305,646,982	804,578,165
Net exposure	54,352,542	35,535,649	53,574,720	203,186,109	(661,295,008)	(314,645,988)

ZIMBABWE ASSET MANAGEMENT CORPORATION (PRIVATE) LIMITED
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2018

28.7 Liquidity risk continued						
28.7.1 Maturity Analysis (2017)						
	On demand	Due between 0-3 months	Due between 3-12 months	Due between 1-5 years	Due After 5 years	Total carrying amount
	US\$	US\$	US\$	US\$	US\$	US\$
Non-derivative liabilities						
Loans and borrowings	-	2,786,152	9,788,964	28,484,926	334,010,989	375,071,031
Treasury bills in issue	-	-	2,117,066	33,447,224	557,869,467	593,433,757
Payables	683,507	-	-	-	-	683,507
Total non-derivative liabilities	683,507	2,786,152	11,906,030	61,932,150	891,880,456	969,188,295
Assets held for managing liquidity risk						
Cash and bank balances	7,579,775	-	-	-	-	7,579,775
Financial Securities	2,438,025	-	-	-	38,283,003	40,721,028
Loans and receivables	34,338,412	12,435,334	125,647,912	176,831,424	301,497,753	650,750,835
Debt asset conversion assets	-	-	-	87,867,136	-	87,867,136
Preference shares held	-	-	-	40,092,543	31,970,633	72,063,176
Total assets held for managing liquidity risk	44,356,212	12,435,334	125,647,912	304,791,103	371,751,389	858,981,950
Net exposure	43,672,705	9,649,182	113,741,882	242,858,953	(520,129,067)	(110,206,345)

ZIMBABWE ASSET MANAGEMENT CORPORATION (PRIVATE) LIMITED
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2018

28.7 Liquidity risk (continued)

28.7.3 Default and breaches disclosure

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

ZIMBABWE ASSET MANAGEMENT CORPORATION (PRIVATE) LIMITED
NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

28.7 Liquidity risk (continued)

28.7.4 Secured and unsecured Loans and Advances (2018)

	Security value 2018	Unsecured value 2018	Total carrying Amount 2018
	US\$	US\$	US\$
Financial Assets			
Loans and advances to clients	625,096,613	-	625,096,613
Debt asset conversion assets	77,875,428	-	77,875,428
Financial securities	42,771,689	-	42,771,689
Other receivables		1,248,829	1,248,829
Total	745,743,730	1,248,829	746,992,559
Secured and Unsecured Financial Liabilities			
Loans and borrowings	-	135,736,108	135,736,108
Treasury bills in issue	-	978,633,366	978,633,366
Payables	-	4,854,679	4,854,679
Total	-	1,119,224,153	1,119,224,153

The security held on the financial assets is in the form of Government guarantees and real estate.

ZIMBABWE ASSET MANAGEMENT CORPORATION (PRIVATE) LIMITED
NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

28.7 Liquidity risk (continued)

28.7.4 Secured and unsecured Loans and Advances (2017)

	Security value 2017	Unsecured value 2017	Total carrying Amount 2017
	US\$	US\$	US\$
Financial Assets			
Loans and advances to clients	550,090,855	100,659,980	650,750,835
Debt asset conversion assets	87,867,136	-	87,867,136
Financial securities	40,721,028	-	40,721,028
Other receivables		443,037	443,037
Total	678,679,019	101,103,017	779,782,036
Secured and Unsecured Financial Liabilities			
Loans and borrowings	-	375,071,031	375,071,031
Treasury bills in issue	-	593,433,757	593,433,757
Payables	-	683,507	683,507
Total	-	969,188,295	969,188,295

The security held on the financial assets is in the form of Government guarantees and real estate.

ZIMBABWE ASSET MANAGEMENT CORPORATION (PRIVATE) LIMITED
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2018

29. 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 returns to shareholders and benefits for other stakeholders.
- 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 2017.

	2018	2017
	US\$	US\$
Share capital	1,000	1,000
Share premium	35,286,521	286,521
(Accumulated loss)/Retained Earnings	(295,641,997)	(115,003,952)
Total	(260,354,476)	(114,716,431)

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.

ZIMBABWE ASSET MANAGEMENT CORPORATION (PRIVATE) LIMITED
NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

30. 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 2018, or at any point during the year.

30.1 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:

Directors fees and short-term employee benefits*	320,684.29	197,335
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*The short term benefits comprise of directors' emoluments and key management personnel allowances.

30.2 Balances with related parties

Related Party	Relationship	2018 US\$	2017 US\$
Reserve Bank of Zimbabwe	Parent	34,251,778	46,638,183
Government of Zimbabwe	Owner of Parent	2,373,237	1,946,319
		<u>36,625,015</u>	<u>48,584,502</u>

The movement during the year arose from payments made on behalf of ZAMCO by the Reserve Bank of Zimbabwe.

31. COMPARATIVE FIGURES

Comparative figures are based on the 2017 audited financial statements.

ZIMBABWE ASSET MANAGEMENT CORPORATION (PRIVATE) LIMITED
NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

32. EVENTS AFTER REPORTING PERIOD

32.1 CHANGE IN FUNCTIONAL AND PRESENTATION CURRENCY

The Government of Zimbabwe adopted a multi-currency regime in 2009, with the United States dollar (USD), South African Rand (ZAR), British pound (GBP), Euro (EUR) and the Botswana Pula (BWP) all forming part of the official basket of currencies. The USD and ZAR were the most commonly used at the introduction of the regime, with the USD emerging as the currency of reference in transactions and official policy pronouncements. This resulted in the designation of USD as the functional and presentation currency by Monetary Authorities as well as the transacting public, including ZAMCO from its inception.

The Zimbabwean economy experienced serious liquidity challenges between 2014 and 2016, resulting in the Reserve Bank of Zimbabwe (RBZ) introducing the bond notes into the multi-currency basket in November of 2016. The bond note was officially pegged at 1:1 to the USD, with transactions for clients being settled in both currencies and the same bank accounts handling both USD and Bond Notes.

The introduction of the Bond Note led to the creation of a multi-tier pricing system that preferred payments in USD or payment of a premium when using bond notes or Real Time Gross Settlement (RTGS) balances. In October 2018, financial institutions were instructed to separate bond notes (including sitting RTGS balances) and USD accounts. The USD accounts were designated as Nostro Foreign Currency (FCA) accounts.

The FCA accounts were designated specifically for incoming Telegraphic Transfers and hard cash foreign currency deposits. Regardless of the aforementioned, the Monetary Authorities did not state that there had been an introduction of a new currency, as at 31 December 2018, as such the USD remained the official functional and reporting currency.

On 22 February 2019, the RBZ issued an Exchange Control Directive, RU 28 of 2019, establishing a formal interbank foreign exchange market, in which banks and bureaux de change may participate. The RBZ denominated the existing RTGS balances in circulation as RTGS Dollars, with initial trades on the same date occurring at a rate of US\$1: RTGS\$2.5. Statutory instrument 33 of 2019 was also issued on the same date, specifying that all assets and liabilities that were in USD immediately before 22 February 2019 were deemed to have been valued in RTGS Dollars at a rate of 1:1, for accounting and other purposes.

The directors of the corporation agreed that the USD was the corporation's functional and presentation currency for the financial year 2018 due to the following factors; arising from the discussion above:

ZIMBABWE ASSET MANAGEMENT CORPORATION (PRIVATE) LIMITED
NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

32. EVENTS AFTER REPORTING PERIOD (Continued)

- Statutory Instrument 33 of 2019 specified that for accounting and other purposes, all assets and liabilities that were in USD immediately before the 22nd of February, 2019, were deemed to have been valued in RTGS dollars at 1:1
- There was no alternative currency as RTGS Dollars were only introduced on 22 February 2019
- The corporation only transacted in bond notes/RTGS balances during the period and did not handle any foreign currency receipts

During the period under review, the corporation sourced foreign currency from the official market, at a rate of 1:1, as per the official prescription by the Monetary Authorities up to 31 December 2018.

32.1.1 Sensitivity of balances to change in currency

All ZAMCO assets and liabilities are denominated in RTGS\$ as at 31 December 2018. Therefore there is no need to carry out any sensitivity tests to changes in exchange rates.

33. GOING CONCERN

ZAMCO is a wholly owned subsidiary of the RBZ which was created through the provisions of the RBZ Act, Section 57A. The Act gives ZAMCO a specific mandate and timeline for its operation. It further guides that at the end of its mandate, ZAMCO's assets and liabilities be transferred to the RBZ. ZAMCO uses Government Treasury Bonds to purchase NPLs. ZAMCO's operational funding is generated from interest on loans and advances, facility fee charges and other avenues pursued by the organisation.

Although the total liabilities for ZAMCO exceed its assets by \$253 million, it is important to note that only \$15 million worth of liabilities fall due within the next year, with a further \$61 million falling due within five years. The rest of ZAMCO's liabilities are long dated and fall due after five years, with 80% of them falling due after ten (10) years. In addition, as at reporting date, ZAMCO had cash and cash equivalents amounting to \$31.5 million, which is enough to pay for ZAMCO's financial liabilities that fall due within the next 12 months.

The Government of Zimbabwe has also directed that ZAMCO stop the purchase of any further NPLs. The RBZ has also committed to meeting ZAMCO's obligations in periods when ZAMCO has no capacity to meet these.

Accordingly, based on ZAMCO's financial performance, maturity profile for its financial assets and liabilities, cashflow management, support from the Government and RBZ, ZAMCO's management concludes that the entity will continue to realise its assets and liabilities in the ordinary course of business. These financial statements are therefore prepared on that basis.