DEPOSIT PROTECTION CORPORATION

Financial statements for the year ended 31 December 2015

DEPOSIT PROTECTION CORPORATION
FINANCIAL STATEMENTS
for the year ended 31 December 2015

CORPORATION INFORMATION

Incorporated in Zimbabwe

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

DEPOSIT PROTECTION CORPORATION
FINANCIAL STATEMENTS
for the year ended 31 December 2015

DIRECTORS' RESPONSIBILITY FOR FINANCIAL REPORTING

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

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

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

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

The annual financial statements are prepared on the going concern basis; this has been assessed as appropriate. The Directors however believe that under the current economic environment a continuous assessment of the ability of the Corporation to continue as a going concern will be performed. Refer to note 22.

The annual financial statements set out on pages 7 to 37 were prepared under the supervision of the Finance Director, Mike Chingosho (B. Acc (Hons) UZ, FCIS, MBL (UNISA)) and were approved by the Board of Directors on 30 June 2016 and are signed on its behalf by:-

J. M. Chikura	**S. Mahlahla**	**C. Dhliwayo**
Chief Executive Officer	**Acting Chairman**	**Director**

DIRECTORS' REPORT

The Directors submit their report for the year ended 31 December 2015 and the audited financial statements for the same period.

Nature of business

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

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

Directorate

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

Auditors

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

By order of the Board
V. Vuma

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Company Secretary
Harare, Zimbabwe
30 June 2016

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

We have audited the accompanying financial statements of the Deposit Protection Corporation on pages 7 to 37, which comprise the statement of financial position as at 31 December 2015, statement of profit or loss and other comprehensive income, the statement of changes in accumulated funds and the statement of cash flows for the year then ended, and the notes to the financial statements, which include a summary of significant accounting policies and other explanatory notes.

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

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion
In our opinion, the financial statements present fairly, in all material respects the financial position of the Deposit Protection Corporation as at 31 December 2015, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards and in the manner required by the Deposit Protection Corporation Act (Chapter 24:29).

Report on other legal and regulatory requirements
In our opinion, the financial statements have, in all material respects, been properly prepared in compliance with the disclosure requirements of the Deposit Protection Corporation Act (Chapter 24:29).

DELOITTE & TOUCHE
Harare, Zimbabwe

DEPOSIT PROTECTION CORPORATION
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
for the year ended 31 December 2015

	Notes	2015 US$	2014 US$
Revenue			
Premium income		7 758 445	7 569 638
Investment income	7	745 553	741 822
Other income	8	498 890	20 977
Total income		9 002 888	8 332 437
Expenses			
Operating expenses	9	(2 923 074)	(2 984 228)
Provision for protection payments	19	(1 472 585)	(8 433 943)
Provision for doubtful debts	14	(223 078)	(1 681 519)
Profit on disposal of property plant and equipment		-	13 382
Finance costs	10	(16 116)	(56 791)
(Deficit)/Surplus for the year		7 313 205	(4 810 662)
Other comprehensive income		-	-
Total comprehensive (loss)/income for the year		7 313 205	(4 810 662)

DEPOSIT PROTECTION CORPORATION
STATEMENT OF FINANCIAL POSITION
as at 31 December 2015

	Notes	2015 US$	2014 US$
ASSETS			
Non-current assets			
Property, vehicles and equipment	12	1 249 491	1 308 616
Current assets			
Financial assets	13	14 575 270	10 706 507
Trade and other receivables	14	4 391 621	4 344 454
Cash and cash equivalents	15	86 570	70 525
Total current assets		19 053 461	15 121 486
Total assets		**20 302 952**	**16 430 102**
RESERVES AND LIABILITIES			
Reserves			
Accumulated fund		14 498 058	7 184 853
Non-distributable reserve		138 196	138 196
Total equity		**14 636 254**	**7 323 049**
Current liabilities			
Trade and other payables	18	111 069	191 979
Provision for protection payments	19	4 765 251	8 781 920
Demonetisation fund	16	782 910	-
Finance lease liability	17	7 468	133 154
Total current liabilities		5 666 698	9 107 053
Total reserves and liabilities		**20 302 952**	**16 430 102**

J. M. Chikura
Chief Executive Officer

Dr. S. Mahlahla
Acting Chairman

Dr. C. Dhliwayo
Director

Harare, Zimbabwe
30 June 2016

DEPOSIT PROTECTION CORPORATION
STATEMENT OF CHANGES IN ACCUMULATED FUNDS
for the year ended 31 December 2015

	Accumulated fund US$	Non-distributable reserve US$	Total US$
Balance at 1 January 2014	11 995 515	138 196	12 133 711
Total comprehensive income for the year	(4 810 662)	-	(4 810 662)
Balance at 31 December 2014	**7 184 853**	**138 196**	**7 323 049**
Total comprehensive loss for the year	7 313 205	-	7 313 205
Balance at 31 December 2015	**14 498 058**	**138 196**	**14 636 254**

DEPOSIT PROTECTION CORPORATION
STATEMENT OF CASHFLOWS
for the year ended 31 December 2015

	Notes	2015 US$	2014 US$
Cash flows from operating activities			
Surplus/ (Deficit) for the year		7 313 205	(4 810 662)
Adjustments for:			
Depreciation	12	161 355	109 046
Profit on disposal of property, vehicles and equipment		-	(13 382)
Finance costs recognised in profit or loss		16 116	56 791
Accrued interest income on investments	13	(41 945)	(73 827)
Protection payments provision	19	(1 472 585)	8 433 943
Provision for doubtful debts	14	223 078	1 609 859
Impairment loss on financial assets	13	-	71 660
		6 199 224	5 383 428
Movements in working capital:			
(Increase)/ decrease in trade and other receivables		(270 245)	2 453 833
Decrease in trade and other payables		(80 910)	(32 677)
Cash generated from operations		5 848 069	
7 804 584			
Interest paid		(16 116)	(56 791)
Protection payments	19	(2 544 084)	(183 691)
Net cash generated by operating activities		3 287 869	7 564 102
Cash flows from investing activities			
Property, vehicles and equipment additions: expansion	12	(102 230)	(393 852)
Investment in financial assets	13	(3 826 818)	(7 293 006)
Proceeds from disposal of property, vehicles and equipment		-	13 384
Net cash used in investing activities		(641 179)	(7 673 474)
Cash flows from financing activities			
Repayment of borrowings		(125 686)	(173 050)
Net proceeds from demonetisation fund	16	782 910	-
Net cash flows used in financing activities		657 224	(173 050)
Net increase/ (decrease) in cash and cash equivalents		16 045	(282 422)
Cash and cash equivalents at the beginning of the year		70 525	352 947
Cash and cash equivalents at the end of the year	15	86 570	70 525

1. General information

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

The Corporation is incorporated and domiciled in Zimbabwe.

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

2. Statement of compliance

The Corporation's financial statements have been prepared in accordance with International Financial Reporting Standards, (IFRS) and the International Financial Reporting Interpretations Committee, (IFRIC) interpretations. The financial statements are based on statutory records that are maintained under the historical cost convention.

3. Basis of preparation

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

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

4. Critical accounting estimates and judgements

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

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

Critical accounting judgments

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

4. Critical accounting estimates and judgements (continued)

4.1 Useful lives of property, plant and equipment

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

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

4.2 Provision for protection payments

The provision for protection payments represents the present value of the Directors best estimate of the future outflow of economic benefits that will be required under the Corporation's obligations as set out in the Deposit Protection Corporation Act. Management annually assesses the performance of the banks using the CAMELS rating system. The estimate of the exposure is based on the number of depositors of distressed institutions at the end of the year. Distressed banks on the Central banks watch list with a CAMELS rating of 4 and above were provided for except for government banks with an exposure of US$ 6 117 364 (2014: US$ 6 196 665) as at year end. The Central Banks considers such banks to be least likely to close due to continued government and the Central Bank's support.

4.3 Provision for outstanding premiums and penalties

During the year, the Corporation's management considered the recoverability of outstanding premiums from troubled banks. The provision is based on the balances outstanding at year end. Management has determined that the recoverability of the amounts from troubled banks is uncertain, thus the amounts have been provided for in full except for a certain troubled bank and a bank under judicial management from which the Corporation has alternative recovery plans in place and has been receiving monthly payments subsequent to year end respectively.

Full provision has been made on penalties charged on late payment of premiums in 2013 which the banks have been disputing. The implementation of the recovery plan has been protracted, however management is continuously engaging concerned parties to recover the amounts.

4.4 Recognition of subrogation fees

In terms of the DPC Act [Chapter 24:29] Section 46, the Corporation shall be subrogated up to the amount paid to depositors of failed banks. The timing of the refund is dependent on the availability of cash from disposals of failed bank(s) assets and recoveries from the failed bank(s) debtors. The process can be protracted. In view of this timing uncertainty, subrogated income is not accrued but recognized on date of receipt. During the year subrogation income was recognized when the Corporation had an irrevocable right to receive funds during with considerable certainty.

4.5 Recognition of premium from troubled banks

The DPC Act [Chapter 24:29] Section 28 provides that all contributory institutions including those under judicial management and curatorship are liable to contribute to the DPC Fund. Management assesses on a quarterly basis the probability of recoverability of premiums from troubled banks and banks under judicial management and curatorship. An amount of US$ 197 405 was recognized in premium income relating to certain troubled institutions with which management has recovery plans of the levied premiums.

DEPOSIT PROTECTION CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2015 (continued)

5. New accounting policies adopted

5.1 Accounting standards and interpretations adopted impacting the annual financial statements

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

5.2 New, revised and amended IFRSs mandatorily effective for the financial year beginning on 1 January 2015

International Financial Reporting Standard	Effective date	Summary of revisions and amendments
Defined Benefit Plans: Employee Contributions (Amendments to IAS 19)	1 July 2014	Amends the standard to clarify the requirements that relate to how contributions from employees or third parties that are linked to service. In addition, it permits a practical expedient if the amount of the contributions meets the requirements set out.
IFRIC12 Levies	1 July 2014	Provides guidance on when to recognise a liability for a levy imposed by a government, both for levies that are accounted for in accordance with IAS 37 Provisions, Contingent Liabilities and Contingent Assets and those where the timing and amount of the levy is certain.
Annual Improvements 2011-2013 Cycle	1 July 2014	Makes amendments to the following standards: -IFRS 1 - Clarify which versions of IFRSs can be used on initial adoption (amends basis for conclusions only). -IFRS 3 - Clarify that IFRS 3 excludes from its scope the accounting for the formation of a joint arrangement in the financial statement of the joint arrangement itself. -IFRS13 - Clarify the scope of the portfolio exception in paragraph 52. -IAS 40 - Clarifying the interrelationships of IFRS3 and IAS 40 when classifying property as investment property or owner - occupied property.
Annual Improvements 2010-2012 Cycle	1 July 2014	Makes amendments to the following standards: - IFRS 2 – Amends the definition of vesting option and market conditions and adds definition for performance condition and service condition. - IFRS 3 - Require contingent consideration that is classified as an asset or a liability to be measured at fair value at each reporting date. -IFRS 8 - Requires disclosure of the judgement made by management in applying the aggregation criteria to operating segments, clarify reconciliation of segment assets only required if segments are reported regularly. -IFRS 13 - Clarify that issuing IFRS13 and amending IFRS 9 did remove the ability to measure certain short term receivables and payables on an undiscounted basis (amends basis for conclusions only). -IAS 16 and IAS 38 - Clarify that the gross amount of property, plant and equipment is adjusted in a manner consistent with a revaluation of the carrying amount.

		-IFRS 13 - Clarify how payments to entities providing services are to be disclosed.

DEPOSIT PROTECTION CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2015 (continued)

5. New accounting policies adopted (continued)

5.3 New, revised and amended IFRSs in issue but not yet mandatorily effective at the end of the reporting period and not yet adopted.

International Financial Reporting Standard	Effective date	Summary of revisions and amendments
IFRS 9 Financial Instruments (2009)	None stated	IFRS 9 introduces new requirements for classifying and measuring financial assets.
IFRS 9 Financial Instruments (2010)	None stated	A revised version of IFRS 9 incorporating revised requirements for the classification and measurement of financial liabilities, and carrying over the existing derecognition requirements from IAS 39 Financial Instruments: Recognition and Measurement.
IFRS 9 Financial Instruments (Hedge Accounting and amendments to IFRS 9, IFRS 7 and IAS 39) (2013).	None stated	A revised version of IFRS 9 that: - Introduces a new chapter to IFRS9 on hedge accounting, putting in place a new hedge accounting model that is designed to be more closely aligned with how entities undertake risk management activities when hedging - Permits an entity to apply the requirements introduced in for the presentation of gains and losses on financial as at fair value through profit and loss without applying of the IFRS 9, meaning the portion of the change in fair value in the entity's own credit risk can be presented in other comprehensive income rather than within profit and loss. - Removes the mandatory effective date of IFRS 9 (2013), IFRS 9 (2010) and IFRS 9 (2009), leaving the effective date open pending of the impairment and classification and measurement Notwithstanding the removal of an effective date, each available for application*. *IFRS 9 (2014) was issued on 24 July 2014 and supersedes IFRS 9 (2013) but this version of the standard is still available for date of initial application is before 1 February 2015.

5. New accounting policies adopted (continued)

5.3 New, revised and amended IFRSs in issue but not yet mandatorily effective at the end of the reporting Period and not yet adopted (continued).

IFRS 9 Financial Instruments (2014)	'1 January 2018	A finalised version of IFRS 9 which contains accounting financial instruments, replacing IAS 39 Financial Instruments: Recognition and Measurement. The standard contains requirements in the following areas '- Classification and measurement. Financial assets are classified by reference to the business model within which they are held and their contractual cash flow characteristics. The 2014 version of IFRS 9 includes a fair value through comprehensive income category for certain debt instruments. The financial liabilities are classified in a similar manner to under IAS 39, however there are differences in the requirements applying to the measurement of an entity's own credit risk. - Impairment. The 2014 version of IFRS9 introduces an 'expected credit loss' model for the measurement of the impairment of financial assets, so it is no longer necessary for a credit event to have occurred before a credit loss is recognised. - Hedge accounting. Introduces a new hedge accounting model that is designed to be more closely aligned with how entities undertake risk management activities when hedging financial and non-financial risk exposures. - Derecognition. The requirements for the derecognition of a liabilities are carried forward from IAS 39. -Note: Depending on the chosen approach to applying IFRS 9, the transition can involve one or more than one date of initial application for different requirements. - Note: IFRS 9 (2014) supersedes IFRS 9 (2009) IFRS 9 (2010) and IFRS 9 2013, but these standards remain available for application if the relevant date of initial application is before I February 2015.
IFRS 14 Regulatory Deferral Accounts	'1 January 2016	IFRS 14 permits an entity which is a first-time adopter of International Financial Reporting Standards to continue to account, with some limited changes for regulatory deferral account balances' in previous GAAP, both on initial adoption of IFRS and in financial statements.

5. New accounting policies adopted (continued)

5.3 New, revised and amended IFRSs in issue but not yet mandatorily effective at the end of the reporting period and not yet adopted (continued).

IFRS 15 Revenue from Contracts with Customers	'1 January 2018	IFRS 15 provides a single, principles based five-step model to be applied to all contracts with customers. The five steps in the model are as follows: 1. Identify the contract with the customer. 2. Identify the performance obligations in the contract. 3. Determine the transaction price. 4. Allocate the transaction price to the performance obligations in the contracts. 5. Recognise revenue when (or as) the entity satisfies a performance obligations. Guidance is provided on topics such as the point in which revenue is recognised accounting for variable consideration, costs of fulfilling and obtaining a contract and various related matters. New disclosures about revenue are also introduced.
Accounting for Acquisitions of Interests in Joint Operations (Amendments to IFRS11)	'1 January 2016	Amends IFRS 11 Joint Arrangements to require an acquirer of an interest in a joint operation in which the activity constitutes a business (as defined in IFRS 3 Business Combinations) to: -apply all of the business combinations accounting principles in IFRS 3 and other IFRSs, except for those principles that conflict with the guidance in IFRS 11. -disclose the information required by IFRS 3 and other IFRSs for business combinations. The amendments apply both to the initial acquisition of an interest in joint operation and the acquisition of an additional interest in a joint operation (in the later case) previously held interests are not remeasured). Note: The amendments apply prospectively to acquisitions of interests in joint operations in which the activities of the joint operations constitute businesses as defined in IFRS 3, for those acquisitions occurring from the beginning of the first period in which the amendments apply. Amounts recognised for acquisition of interests in joint operations occurring in prior periods are not adjusted.

5. New accounting policies adopted (continued)

5.3 New, revised and amended IFRSs in issue but not yet mandatorily effective at the end of the reporting period and not yet adopted (continued).

Clarification of Acceptable Methods of Depreciation and Amortisation (Amendments to IAS 16 and IAS 38)	1 January 2016	Amends IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets to: -clarify that a depreciation method that is based on revenue that is generated by an activity that includes the use of an asset is not appropriate for plant, and equipment. -introduce a rebuttable presumption that an amortisation method that is based on the revenue generated by an activity that includes the use of an intangible asset is inappropriate, which can only be overcome in limited circumstances where the intangible asset is expressed as a measure of the revenue, or when it can be demonstrated that revenue and the consumption of the economic benefits of the intangible asset are highly correlated. -add guidance that expected future reductions in the selling price of an item that was produced using an asset could indicate the expectation of technological or commercial obsolescence of the asset, which, in turn, might reflect a reduction of the future economic benefits embodied in the asset.
Equity Method in Separate Financial Statements (Amendments to IAS 27)	1 January 2016	Amends IAS 27 Separate Financial Statements to permit investments in subsidiaries, joint ventures and associates to be optionally accounted for using the equity method in separate financial statements.
Sales or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28)	1 January 2016	Amends IFRS 10 Consolidated Financial Statements and IAS 28 Investment in Associates and Joint Ventures (2011) to clarify the treatment of the sale or contribution of assets from an investor to its associate or joint venture, as follows: -require full recognition in the investor's financial statements of gains and losses arising on the sale or contribution of assets that constitute a business (as defined in IFRS 3 Business Combinations). -require the partial recognition of gains and losses where the assets do not constitute a business, i.e. a gain or loss is recognised only to the extent of the unrelated investors' interests in that associate or joint venture. These requirements apply regardless of the legal form of the transaction, e.g. whether the sale or contribution of assets occurs by an investor transferring shares in a subsidiary that holds the assets (resulting in of control of the subsidiary), or by

		the direct sale of the assets themselves.

DEPOSIT PROTECTION CORPORATION

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2015 (continued)

5. New accounting policies adopted (continued)

5.3 New, revised and amended IFRSs in issue but not yet mandatorily effective at the end of the reporting period and not yet adopted (continued).

Annual Improvements 2012-2014 Cycle	1 July 2016	Makes amendments to the following standards: -IFRS 5- Adds specific guidance in IFRS 5 for cases in which an entity reclassifies an asset from held for sale to held for distribution or vice versa and cases in which held-for-distribution accounting is discontinued. -IFRS 7- Additional guidance to clarify whether a servicing contract is continuing involvement in a transferred asset, and clarification on offsetting disclosures in condensed interim financial statements. -IAS 9- Clarify that the high quality corporate bonds used in estimating the discount rate for post-employment benefits should be denominated in the same currency as the benefits to be paid. -IAS 34- Clarify the meaning of 'elsewhere in the interim report' and require a cross-reference.
Disclosure Initiative (Amendments to IAS 1)	1 January 2016	Amends IAS 1 Presentation of Financial Statements to address perceived impediments to preparers exercising their judgement in presenting their financial reports by making the following changes: -clarification that information should not be obscured by aggregating or by providing immaterial information, materiality considerations apply to all parts of the financial statements, and even when a standard requires a specific disclosure, materiality considerations do apply; -clarification that the list of line items to be presented in these statements can be disaggregated and aggregated as relevant and additional guidance on subtotals in these statements and clarification that an entity's share of OCI of equity- accounted associates and joint ventures should be presented in aggregate as single line items based on whether or not it will subsequently be reclassified to profit or loss; -additional examples of possible ways of ordering the notes to clarify that understandability and comparability should be considered when determining the order of the notes and to demonstrate that the notes need not be presented in the order so far listed in paragraph 1.14 of IAS 1.

5. New accounting policies adopted (continued)

5.3 New, revised and amended IFRSs in issue but not yet mandatorily effective at the end of the reporting period and not yet adopted (continued).

Investment Entities Applying the Consolidation Exception(Amendments to IFRS 10, IFRS 12 and IAS 28)	1 January 2016	Amends IFRS 10 Consolidated Financial Statements, IFRS 12 Disclosure of Interests in Other Entities and IAS 28 Investments in Associates and Joint Ventures (2011) to address issues that have arisen in the context of applying the consolidation exception for investment entities by clarifying the following points: -The exemption from preparing consolidated financial statements for an intermediate parent entity is available to a parent entity that is a subsidiary of an investment entity even if the investment entity measures all of its subsidiaries at fair value. -A subsidiary that provides services related to the parent's investment activities should not be consolidated if the subsidiary itself is an investment entity. -When applying the equity method to an associate or a joint venture, a non-investment entity investor in an investment entity may retain the fair value measurement applied by the associate or joint venture to its interests in subsidiaries. -An investment entity measuring all of its subsidiaries at fair value provides the disclosures relating to investment entities required by IFRS 12.

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

6. Significant accounting policies

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

6.1 Property, Vehicles & Equipment

Property, vehicles and equipment are initially recognized at cost price. Property, vehicles and equipment is subsequently measured at cost less accumulated depreciation and accumulated impairment losses. Depreciation is provided for on the straight line method over the expected useful life of the asset. There is no depreciation provided for on freehold land and capital work in progress.

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

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

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

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

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

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted

6. Significant accounting policies (continued)

6.2 Revenue recognition

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

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

6.2.1 Premium income

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

6.2.2 Interest income

Interest income is recognised on a time-proportion basis using the effective interest method. When a receivable is impaired, the Corporation reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loans is recognized using the original effective interest rate.

6.2.3 Subrogation income

Subrogation income is recognised when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and the Corporation has an irrevocable right to receive funds during with considerable certainty.

6.3 Cash and cash equivalents

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

6.4 Trade and other payables

Trade and other payables are obligations to pay for goods or services that have been acquired in the ordinary course of business. Trade and other payables are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business, if longer). If not, they are presented as non-current liabilities.

Trade payables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method.

6.5 Provisions

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

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

6. Significant accounting policies (continued)

6.5 Provisions (continued)

6.5.1 Onerous contracts

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

6.6 Leases

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

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

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

6.7 Taxation

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

6.8 Financial instruments

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

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

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

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

6. Significant accounting policies (continued)

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

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

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

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

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

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

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

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

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

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

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

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

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

6. Significant accounting policies (continued)

6.8 Financial instruments (continued)

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

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

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

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

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

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

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

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

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

6. Significant accounting policies (continued)

6.8 Financial instruments (continued)

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

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

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

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

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

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

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

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

6. Significant accounting policies (continued)

6.9 Foreign currencies

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

6.10 Borrowing costs

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

6.11 Employee Benefits

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

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

6.11.3 Post-employment benefits

Defined contribution plans

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

7. Investment income

	2015 US$	2014 US$
Interest income:		
Held to maturity investments	745 553	741 822
	745 553	741 822

8. Other income

Interest on staff loans	12 488	15 429
Sundry income	826	5 548
Recoveries from subrogation	354 333	-
Liquidation fees	131 243	-
	498 890	20 977

9. Operating expenses

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

Administration expenses:		
- Utilities	31 335	27 599
- Cell phone charges and internet services	31 837	17 162
- Other administration expenses	371 346	332 745
Staff costs (note 9.1)	2 012 844	2 104 110
Other expenses:		
- Board fees	34 120	38 200
- Audit fees		
Statutory audit	28 750	25 000
Agreed upon procedures	-	12 318
- Depreciation	161 356	109 046
- Consultancy fees	13 539	16 298
- Foreign travel	152 975	239 518
- Subscriptions to professional organizations	17 319	19 620
- Repairs and maintenance	39 997	34 620
- Liquidation expenses	27 656	7 992
	2 923 074	2 984 228

9.1 Staff costs

Salaries and other short-term employee benefits	1 885 242	1 978 460
National Social Security Authority cost	20 107	18 879
Pension costs	107 495	106 771
	2 012 844	2 104 110

10. Finance costs

	2015 US$	2014 US$
Finance lease charges	16 116	30 539
Mortgage interest	-	26 252
	16 116	56 791

11. Pension fund

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

The Deposit Protection Corporation Pension Fund

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

National Social Security Authority

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

The Corporation's contributions to both funds were:

	2015 US$	2014 US$
Pension fund	107 495	106 771
National Social Security Authority	20 107	18 879
	127 602	125 650

12 PROPERTY, VEHICLES AND EQUIPMENT

Year ended 31 December 2015	Vehicles US$	Office equipment US$	Computer equipment US$	Furniture and fittings US$	Land and buildings US$	Total US$
Cost at 1 January 2014	329 167	14 225	62 581	54 753	847 889	1 308 616
Additions	60 000	8 273	29 375	4 582	-	102 230
Depreciation charge	(88 766)	(7 719)	(32 387)	(7 222)	(25 261)	(161 356)
Net book value	**300 401**	**14 779**	**59 569**	**52 113**	**822 628**	**1 249 491**
At 31 December 2015						
Cost	456 043	45 681	164 166	104 648	921 632	1 692 170
Accumulated depreciation	(155 642)	(30 902)	(104 597)	(52 535)	(99 004)	(442 680)
Net book value	**300 401**	**14 779**	**59 569**	**52 113**	**822 628**	**1 249 491**

There is no impairment of assets required from an assessment performed at the reporting date. Included in property, plant and equipment are motor vehicles with a carrying amount of $277 287 (2014: $297 523) under a finance lease arrangement.

12 PROPERTY, VEHICLES AND EQUIPMENT (continued)

Year ended 31 December 2014	Vehicles US$	Office equipment US$	Computer equipment US$	Furniture and fittings US$	Land and Buildings US$	Total US$
Cost at 1 January 2013	37 919	12 396	55 089	47 469	870 939	1 023 812
Additions	336 402	7 780	33 488	14 031	2 151	393 852
Disposals	(2)	-	-	-	-	(2)
Depreciation charge	(45 152)	(5 951)	(25 996)	(6 747)	(25 200)	(109 046)
Net book value	**329 167**	**14 225**	**62 581**	**54 753**	**847 890**	**1 308 616**
At 31 December 2014						
Cost	396 043	37 408	134 791	100 066	921 632	1 589 939
Accumulated depreciation	(66 876)	(23 183)	(72 210)	(45 312)	(73 742)	(281 323)
Net book value	**329 167**	**14 225**	**62 581**	**54 753**	**847 890**	**1 308 616**

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

13. Financial assets

	2015 US$	**2014** US$
At 1 January	10 706 507	3 411 334
Additions	3 826 818	7 293 006
Accrued interest	41 945	73 827
Impairment loss recognised	-	(71 660)
At 31 December	14 575 270	10 706 507

Analysis of financial assets:

Held to maturity investments carried at amortized cost

Equity funds (i)	10 916	12 328
Bills of exchange	-	71 660
Gross money market funds (iii)	14 564 971	10 694 179
Impairment loss recognised	-	(71 660)
	14 575 887	10 706 507

(i) The Corporation holds unit trusts through Old Mutual in an Equity Fund. These have been measured at amortized cost at the reporting date.

(ii) The Corporation holds unit trusts through Old Mutual in a Money Market Gross Fund. These have been measured at amortized cost at the reporting date.

14. Trade and other receivables

	2015 US$	**2014** US$
Trade receivables	5 884 226	5 655 378
Other receivables	340 332	298 935
Impairment loss recognized	(1 832 937)	(1 609 859)
	4 391 621	4 344 454

There were no impairment allowances for the year ended 2015

14.1 Age of receivables that are due but not impaired

Receivables are as follows:		
Between 31 – 90 days	-	2 530
Greater than 90 days	-	219 291
	-	221 821

14. Trade and other receivables (continued)

14.2 Movement in allowance for doubtful debts

	2015 US$	2014 US$
Balance at the beginning of the year	1 609 859	-
Impairment losses recognized	223 078	1 609 859
Balance at the end of the year	1 832 937	1 609 859

Additional provisions for doubtful debts amounting to $223 078 relate to premiums due from troubled banks.

14.3 Age on impaired trade receivables

	2015 US$	2014 US$
Less than 30 days	41 131	102 483
Between 31 – 90 days	41 978	154 175
Greater than 90 days	1 749 828	1 353 201
	1 832 937	1 609 859

15. Cash and cash equivalents

	2015 US$	2014 US$
Cash on hand	2 173	2 332
Cash at bank	84 397	68 193
	86 570	70 525

16. Demonetisation fund

Reserve Bank of Zimbabwe	782 910	-

The Reserve Bank made available to the Corporation amounts to be utilised for the purpose of reimbursing depositors of failed banks who had Zimbabwe dollar balances in their accounts at the date of the introduction of multi currencies as substitute legal tender. Any unused balance from the advance as at 30 April 2016 will be returned to the Reserve Bank.

17. Finance lease liability

	2015 US$	2014 US$
	Minimum lease Payments	PV of minimum lease payments
Not later than one year	(7 635)	(7 468)
Not later than one year and not later than 5 years	-	-
Later than 5 years	-	-
	(7 635)	(7 468)
Less: future finance charges	167	-
Present value of minimum lease payments	(7 468)	(7 468)

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

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

18. Trade and other payables

	2015 US$	2014 US$
Leave pay provision	88 841	112 733
Other accruals	22 228	79 246
	111 069	191 979

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

19. Provision for protection payments

	2015 US$	2014 US$
Opening balance	8 781 920	531 668
Current year reversal (19.2)	(1 472 585)	-
Current year provision	-	8 433 943
Payments	(2 544 084)	(183 691)
Closing balance	4 765 251	8 781 920

19. Provision for protection payments (continued)

19.1 The provision for protection payments represents the present value of the Directors best estimate of the future outflow of economic benefits that will be required under the Corporation's obligations as set out in the Deposit Protection Corporation Act. Management annually assesses the performance of the banks using the CAMELS rating system. The estimate of the exposure is based on the number of depositors of distressed institutions at the end of the year. Distressed banks on the Reserve Bank Watch List with CAMELS rating of 4 and 5 were provided for except for government owed banks. The provision for protection payment is based on a listing of individual depositors from troubled banks up to a maximum of US$500 per depositor.

19.2 The reversal pertains to the reduction in insurable deposits in distressed institutions.

20. Related party transactions

	2015 US$	2014 US$
Key management compensation shown below:		
Salaries and other short-term employee benefits	767 145	883 670
Defined contribution plan	46 840	46 840
	813 985	930 510

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

	2015 US$	2014 US$
Loans to key management	28 548	64 687

21. Financial instruments

21.1 Significant accounting policies

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

21.2 Categories of financial instruments

	2015 US$	2014 US$
Financial assets		
Cash and bank balances	86 570	70 525
Gross money market funds carried at amortized cost	14 564 971	10 694 179
Loans and receivables	4 391 621	4 344 454
Financial liabilities		
Trade and other payables	111 069	191 979
Finance lease liability	7 468	133 154
Demonetisation fund	782 910	-

21. Financial instruments (continued)

21.3 Interest rate risk

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

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

21.4 Liquidity risk

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

21. Financial instruments (continued)

21.4 Liquidity risk (continued)

The following table details the Corporation's remaining contractual maturity for its financial liabilities. The table has been compiled based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Corporation can be required to repay the liability. The cash flows include both the principal and interest payments.

	Weighted average Effective interest Rate	Less than 12 months US$	1 to 5 years US$	+ 5 years US$	Total US$
Non derivative financial instruments					
2015					
Interest bearing borrowings	18%	7 468	-	-	7 468
Trade and other payables	n/a	111 069	-	-	111 069
Demonetisation fund	n/a	782 910	-	-	782 910
		901 447	-	-	901 447
2014					
Interest bearing borrowings	18%	133 154	-	-	133 154
Trade and other payables	n/a	191 979	-	-	191 979
		325 133	-	-	325 133

21 Financial instruments (continued)

21.5 Credit risk

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

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

Maximum credit risk

	2015 **US$**	**2014** **US$**
Financial assets and other credit exposures		
Other financial assets	14 575 270	10 706 507
Trade and other receivables	4 391 621	4 344 454
Cash and cash balance	86 570	70 525
	19 053 461	15 121 486

22. Going concern

The Directors have assessed the ability of the Corporation to continue operating as a going concern and believe that the preparation of these financial statements on a going concern basis is still appropriate. However, the Directors believe that under the current economic environment a continuous assessment of the ability of the Corporation to continue to operate as a going concern will need to be performed to determine the continued appropriateness of the going concern assumption that has been applied in the preparation of these financial statements.

As at 31 December 2015, the Corporation's current assets exceeded current liabilities by US$ 11 402 641 (2014: US$ 6 014 433). Net current assets net of exposures relating to depositors of troubled institutions not provided for (refer note 4.2 and note 19) were US$ 5 285 277(2014: 182 232 net liability).

In the event that the Corporation is faced with a huge payout which is in excess of available funds, there are three options that can be pursued individually or collectively as follows:

(1) In terms of the DPC Act [Chapter 24:29] Section 31, there is a provision to levy supplementary contributions from all banking institutions to fund the shortfall.
(2) In terms of the DPC Act, Second Schedule Paragraph 7, the Corporation has an ancillary power to borrow moneys for the purposes of the DPC Fund.
(3) In a systemic crisis, that is, a situation where a number of large banks fail at the same time and the fund level is inadequate even after invoking (1) and (2) above, then funding will be provided by the Ministry of Finance and Economic Development.