NATURE OF BUSINESS:

Investing in various entities which are in the mining sector on behalf of the Government of Zimbabwe.

BOARD OF DIRECTORS:

Murangari D.	(Chairman)
Mashiringwani E.	(Vice Chairman)
Akino L.	(Acting General Manager)
Chitambira C.	(Non Executive)
Karonga D.	(Non Executive)
Maravanyika E.	(Non Executive)
Nyatsanga T.	(Non Executive)
Nsimbi A.Z.	(Non Executive)
Sibanda P.	(Non Executive)

SECRETARY:

Chiparo T.

REGISTERED OFFICE:

MMCZ Building
90 Mutare Road
HARARE

AUDITORS:

Grant Thornton
Chartered Accountants (Zimbabwe)
Registered Public Auditors
Camelsa Business Park
135 Enterprise Road
Highlands
HARARE

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These annual financial statements are expressed in United States Dollars (USD)

Responsibilities of Directors and Those Charged with Governance for the financial statements for the year ended 31 December 2016

It is the Directors' responsibility to ensure that the financial statements fairly present the state of affairs of the Corporation. The external auditors are responsible for independently reviewing and reporting on the financial statements.

The Directors have assessed the ability of Corporation to continue 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.

The financial statements set out in this report have been prepared by directors in accordance with International Financial Reporting Standards (IFRSs). They are based on appropriate accounting policies which are supported by reasonable prudent judgements and estimates.

The Corporation's accounting and internal control systems are designed to provide reasonable assurance as to the integrity and reliability of the financial statements and to adequately safeguard, verify and maintain accountability of its assets. Such controls are based on established written policies and procedures and all employees are required to maintain the highest ethical standards in ensuring that the corporation's business practices are conducted in a manner which in all reasonable circumstances is above reproach. Issues that come to the attention of the Directors have been addressed and the Directors confirm that the system of accounting and internal control is operating in a satisfactory manner.

The Corporation's financial statements which are set out on pages 6 to 37 were, in accordance with their responsibilities, approved by the Directors on .... 2018 and are signed on its behalf by:

....
Chairman
Murangari D.

....
P.Y. **Acting General Manager**
Akino L

INDEPENDENT AUDITORS' REPORT

Grant Thornton
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135 Enterprise Road, Highlands
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Zimbabwe

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To the members of the Zimbabwe Mining Development Corporation

Report on the Audit of the financial statements

Adverse Opinion

In our opinion, because of the significance of the matters described in Basis for Adverse Opinion paragraphs (i) and (ii) above, the financial statements do not present fairly, in all material respects the financial position of Zimbabwe Mining Development Corporation as at 31 December 2016, its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

We have audited the financial statements of Zimbabwe Mining Development Corporation as set out on pages 6 to 37, which comprise the statement of financial position as at 31 December 2016, and the statement of profit and loss and other comprehensive income, the statement of changes in 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.

Basis for Adverse Opinion

(i) Non-compliance with International Accounting Standard 28 (IAS 28), Investments in Associates and Joint Ventures and International Financial Reporting Standard 11 (IFRS 11), Joint Arrangements

IAS 28 and IFRS 11 require a parent to recognize its interests in joint ventures and associates in its separate financial statements at cost or at fair value. Zimbabwe Mining Development Corporation did not recognize its shareholding in Todal Mining (Private) Limited, Gye Nyame (Private) Limited, Global Platinum Resources (Private) Limited and ShinZim Platinum (Private) Limited. Accordingly, we were unable to determine the extent of the financial impact of non-compliance on the financial statements.

(ii) Mining rights

International Accounting Standard 38 (IAS 38), Intangible Assets, requires an entity to recognize its intangible assets, such as mining rights at cost or fair value. The Corporation transferred its mining rights to its joint ventures in consideration for 50% shareholding in the entities, the value of which has not been included in these financial statements. The joint ventures are Mbada Diamonds (Private) Limited, Diamond Mining Corporation (Private) Limited and Jinan Mining (Private) Limited. This constitutes a departure from International Financial Reporting Standards. The effect of non-compliance has not been established.

Responsibilities of Directors and Those Charged with Governance for the Financial Statements

Directors is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards (IFRSs), and for such internal control as directors determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, directors is responsible for assessing the corporation'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 directors either intends to liquidate the Directors or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Directors' financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the 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 financial statements.

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

- Identify and assess the risks of material misstatement of the 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 Corporation's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by directors.
- Conclude on the appropriateness of Director's 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 Corporation'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 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 Corporation to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the 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 Corporation to express an opinion on the financial statements.

We communicate with those charged with governance 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 those charged with governance 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 those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period. 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.

Key Audit Matter	**How our audit addressed the Key Audit Matter**
Revenue • The amount of revenue and profit recognised in the year on revenue amounting to USD 475 563 is dependent on the appropriate recording of the revenue received. • As revenue recognition is significant to our audit, the Company might inappropriately account for revenue for accounting purposes by overstating or understating revenue.	Our audit procedures to address the risk of material misstatement relating to revenue recognition, which was considered to be a reasonably possible risk, included: • Testing of controls associated with the recording of revenue. • Tracing recorded revenue to the respective supporting documents to verify that the revenue recorded is complete and accurate. .We satisfied ourselves that the Company's revenue recognition is appropriate.

Report on other legal and regulatory requirements

Emphasis of matter

Without further qualifying our opinion, we draw attention to **Note 30** to the financial statement which indicates that the corporation incurred a loss before tax of USD 16 738 368 **(2015: USD23 430 795)** for the year ended 31 December 2016. As at that date, the Corporation's current liabilities exceeded current assets by **USD 59 361 388** as at 31 December 2016 **(2015: USD 52 413 949)**. This indicates material uncertainty that may cast significant doubt about the ability of the Corporation to continue as a going concern. The engagement partner on the audit resulting in this Independent auditor's report is Edmore Chimhowa.

Grant Thornton

Edmore Chimhowa
Partner

Registered Public Auditor (0470)

20 May 2020

Grant Thornton
Chartered Accountants (Zimbabwe)
Registered Public Auditors

HARARE

Statement of profit or loss and other comprehensive income for the year ended 31 December 2016

	Notes	2016 USD	2015 USD
Revenue	4	475 563	2 992 664
Other income	5	565 405	2 603 579
Administration expenses		(16 681 606)	(28 318 604)
Loss from operations	6	(15 640 638)	(22 722 361)
Finance costs	7	(1 097 730)	(708 434)
Loss before tax		(16 738 368)	(23 430 795)
Taxation	8	(4 654 884)	33 082 980
(LOSS)/PROFIT FOR THE YEAR		(21 393 252)	9 652 185
Other comprehensive income:			
Items that will not be reclassified to profit or loss:			
Fair value adjustment on available for sale investments		-	(337)
Remeasurement of defined benefit pension plan		-	-
Interest on capital gains tax reversal		-	10 334 246
Income tax relating to items that will not be reclassified		-	87
Other comprehensive income for the year, net of tax		-	10 333 996
TOTAL COMPREHENSIVE LOSS/ INCOME FOR THE YEAR		(21 393 252)	19 986 181

Statement of financial position
as at 31 December 2016

	Notes	2016 USD	2015 USD
ASSETS			
Non-current assets			
Property, plant and equipment	9	1 180 583	1 671 203
Intangible assets	10	606 058	714 606
Investment in subsidiaries	11	4	4
Investment in joint ventures	12	474 103	474 103
Available for sale investments	13	168 478	10 168 478
Long term receivables	14	459 979	588 543
		2 889 205	13 616 937
Current assets			
Inventories	15	17 906	21 692
Trade and other receivables	16	7 686	282 772
Related party receivables	17.2	865 337	2 649 136
Cash and cash equivalents	18	87 046	107 468
		977 975	3 061 068
Total assets		3 867 180	16 678 005
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	19	-	-
Non distributable reserve		2 436 939	2 436 939
Available for sale reserve		10 504 292	10 504 292
Accumulated loss		(45 592 804)	(24 199 552)
		(32 651 573)	(11 258 321)
Non-current liabilities			
Deferred tax	20	(27 013 960)	(31 668 844)
Post employment benefit liability	21	3 193 350	3 193 350
Long term payables		-	936 803
		(23 820 610)	(27 538 691)
Current liabilities			
Bank overdraft	18.1	103 436	114 462
Short-term loans	22	8 593 879	7 475 988
Trade and other payables	23	36 869 693	33 085 267
Current income tax payable		5 206 655	5 233 600
Related party payables	17.3	9 565 700	9 565 700
		60 339 363	55 475 017
Total equity and liabilities		3 867 180	16 678 005

Murangari D.
Chairman

Akino. L
Acting General Manager

Statement of changes in equity
for the year ended 31 December 2016

	Share capital USD	Non distributable reserve USD	Non controlling interest USD	Available for sale reserve USD	Accumulated loss USD	Total USD
Balance as at 1 January 2015	-	6 427 646	977 608	170 296	(35 596 749)	7 405 254
Scrapping of assets	-	(3 990 707)	(977 608)	-	1 745 012	(3 223 303)
Total comprehensive loss for the year	-	-	-	10 333 996	9 652 185	19 986 181
Balance as at 31 December 2015	-	2 436 939	-	10 504 292	(24 199 552)	24 168 132
Balance as at 1 January 2016	-	2 436 939	-	10 504 292	(24 199 552)	24 168 132
Total comprehensive loss for the year	-	-	-	-	(21 393 252)	(21 393 252)
Balance as at 31 December 2016	-	2 436 939	-	10 504 292	(45 592 804)	2 774 880

* These were assets for Mhangura that were recognised in ZMDC in previous years and were derecognised in 2015.

Statement of cash flows
for the year ended 31 December 2016

	Notes	2016 USD	2015 USD
Cash flows from operating activities			
Loss before tax		(16 738 368)	(23 430 795)
Adjustments for non-cash items:			
Depreciation on property, plant and equipment		225 135	1 646 280
Depreciation of derecognised assets		(1 687 380)	798 455
Amortisation of intangible assets		108 548	108 548
Loss on disposal of property, plant and equipment		-	11 590
Reversal of Non Controlling Interest on disposal		-	(977 608)
Impairment of financial assets		10 000 000	-
Decrease in provisions		-	(54 541)
Finance costs		1 097 730	708 434
Operating cash flows before changes in working capital		(6 994 335)	(21 189 637)
Net effect of changes in working capital	25	5 038 858	21 632 945
Cash flows (utilised in)/ generated from operations		(1 955 477)	443 308
Finance costs		(1 097 730)	(708 434)
Taxation paid		(26 945)	(519 152)
Net cash flows utilised in operating activities		(3 080 152)	(784 278)
Cash flows from investing activities			
Purchase of property, plant and equipment		(510)	(440 662)
Proceeds on disposal of property, plant and equipment		1 953 375	106 443
Cash flows generated from/(utilised in) investing activities		1 952 865	(334 219)
Cash flows from financing activities			
Increase in borrowings		1 117 891	4 956 780
Cash flows generated from financing activities		1 117 891	4 956 780
(Decrease)/increase in cash and cash equivalents		(9 396)	3 838 283
Cash and cash equivalents at beginning of the year		(6 994)	(3 845 277)
Cash and cash equivalents at end of the year	18	(16 390)	(6 994)

Statement of accounting policies
for the year ended 31 December 2016

1 General information

ZMDC is a corporation established by an Act of Parliament number 31 of 1982 to explore, mine and process minerals. It is 100% owned by the Government of Zimbabwe under the Ministry of Mines and Mining development. Its registered office is MMCZ Building, 90 Mutare Road, Msasa, Harare.

Presentation currency

These financial statements are presented in United States Dollars being the functional and reporting currency of the primary economic environment in which the corporation operates.

2 Statement of compliance

The Corporation's financial statements have been prepared in accordance with International Financial Reporting Standards, (IFRSs) 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.

New and revised standards and interpretations - Adopted

In the current year, the Corporation has adopted revised Standards, Amendments and Interpretations issued by the International Accounting Standards Board (IASB) and the International Financial Reporting Interpretations Committee (IFRIC) of the IASB that are relevant in preparation of the financial statements. The accounting policies adopted are consistent with those of the previous financial year. New and revised Standards and Interpretations adopted by the Corporation are summarised below:

2.1 IAS 24 Related Party Transactions (Amendment)

The IASB issued an amendment to IAS 24 that clarifies the definitions of a related party. The new definitions emphasize a symmetrical view of related party relationships and clarifies the circumstances in which persons and key management personnel affect related party relationships of an entity. In addition, the amendment introduces an exemption from the general related party disclosure requirements for transactions with government and entities that are controlled, jointly controlled or significantly influenced by the same government as the reporting entity.

2.2 IAS 32 Financial Instruments Presentation (Amendment)

The IASB issued an amendment that alters the definition of a financial liability in IAS 32 to enable entities to classify rights issues and certain options or warrants as equity instruments. The amendment is applicable if the rights are given pro-rata to all of the existing owners of the same class of an entity's non-derivative equity instruments, to acquire a fixed number of the entity's own equity instruments for a fixed amount in any currency. The amendment has had no effect on the financial position or performance of the corporation because the Corporative does not have these type of instruments.

2.3 IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments

The interpretation addresses the accounting by an entity when the terms of a financial liability are renegotiated and result in the entity issuing equity instruments to a creditor of the entity to extinguish all or part of the financial liability.

2.4 IFRS 12 Disclosure of Interests in Other Entities

IFRS 12 integrates and makes consistent the disclosure requirements for various types of investments, including unconsolidated structured entities. It introduces new disclosure requirements about the risks to which an entity is exposed from its involvement with structured entities.

Statement of accounting policies
for the year ended 31 December 2016 (continued)

Standards, amendments and interpretations to existing standards that are not yet effective and have not been adopted early by the corporation

At the date of authorisation of these financial statements, certain new standards, amendments and interpretations to existing standards have been published by the IASB but are not yet effective, and have not been adopted early by the corporation.

Management anticipates that all of the pronouncements will be adopted in the corporation's accounting policies for the first period beginning after the effective date of the pronouncement. Information on new standards, amendments and interpretations that are expected to be relevant to the corporation's financial statements is provided below. Certain other new standards and interpretations have been issued but are not expected to have a material impact on the corporation's financial statements.

2.5 IFRS 15 'Revenue from Contracts with Customers'

IFRS 15 presents new requirements for the recognition of revenue, replacing IAS 18 'Revenue', IAS 11 'Construction Contracts', and several revenue-related Interpretations. The new standard establishes a control-based revenue recognition model and provides additional guidance in many areas not covered in detail under existing IFRSs, including how to account for arrangements with multiple performance obligations, variable pricing, customer refund rights, supplier repurchase options, and other common complexities.

IFRS 15 is effective for reporting periods beginning on or after 1 January 2017. The Corporation's management have not yet assessed the impact of IFRS 15 on these financial statements.

2.6 Amendments to IFRS 11 Joint Arrangements

These amendments provide guidance on the accounting for acquisitions of interests in joint operations constituting a business. The amendments require all such transactions to be accounted for using the principles on business combinations accounting in IFRS 3 'Business Combinations' and other IFRSs except where those principles conflict with IFRS 11. Acquisitions of interests in joint ventures are not impacted by this new guidance.

The Corporation's only investment in a joint arrangement is classified as a joint venture in which the Corporation has rights to a share of the arrangement's net assets rather than direct rights to underlying assets and obligations for underlying liabilities. Accordingly, if adopted today, these amendments would not have a material impact on the financial statements.

The amendments are effective for reporting periods beginning on or after 1 January 2016.

2.7 IFRS 9 'Financial Instruments' (2014)

The IASB recently released IFRS 9 'Financial Instruments' (2014), representing the completion of its project to replace IAS 39 'Financial Instruments: Recognition and measurement'. The new standard introduces extensive changes to IAS 39's guidance on the classification and measurement of financial assets and introduces a new 'expected credit loss' model for the impairment of financial assets. IFRS 9 also provides new guidance on the application of hedge accounting. The Corporation's management have yet to assess the impact of IFRS 9 on these financial statements. The new standard is required to be applied for annual reporting periods beginning on or after 1 January 2018.

Statement of accounting policies
for the year ended 31 December 2016 (continued)

3 Summary of accounting policies

3.1 Overall considerations

The financial statements have been prepared using the measurement bases specified by IFRS for each type of asset, liability, income and expense. The measurement bases are more fully described in the accounting policies below:

3.2 Revenue recognition

3.2.1 Dividend income

Dividends are recognised when they become legally payable. In the case of interim dividends to equity shareholders, this is when declared by the directors. In the case of final dividends, this is when approved by the shareholders at the annual general meeting.

3.2.2 Management and resource depletion fees

Management and resource depletion fees are recognised when the respective subsidiaries realize revenue for sale transactions concluded.

3.2.3 Revenue from sale of copper reverts

Revenue from sale of copper reverts is recognised when the transaction has been authorized by the Ministry of Mines and Mining Development and when significant risks and rewards of ownership have been transferred to the buyer by signing the sales agreement.

3.2.4 Interest income

Interest income is accrued on a time proportionate basis, by reference to the principal outstanding and effective interest rate applicable.

3.2.5 Rental income

Rental income is accrued on a straight-line basis, in accordance with the terms and conditions of the lease agreement.

3.3 Financial instruments

3.3.1 Financial assets

The Corporation classifies its financial assets into one of the categories discussed below, depending on the purpose for which the asset was acquired. The Corporation has not classified any of its financial assets as held to maturity.

3.3.1.1 Loans and receivables

These assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise principally through the provision of services to customers (e.g. trade receivables). They are initially recognized at fair value plus transaction costs that are directly attributable to their acquisition or issue, and are subsequently carried at amortised cost using the effective interest rate method, less allowance for credit losses.

Statement of accounting policies
for the year ended 31 December 2016 (continued)

3 Summary of accounting policies (continued)

3.3 Financial instruments (continued)

3.3.1 Financial assets (continued)

3.3.1.1 Loans and receivables (continued)

Impairment provisions are recognised when there is objective evidence (such as significant financial difficulties on the part of the counterparty or default or significant delay in payment) that the Corporation will be unable to collect all of the amounts due under the terms receivable, the amount of such a provision being the difference between the net carrying amount and the present value of the future expected cash flows associated with the impaired receivable. For trade receivables, which are reported net, such provisions are recorded in a separate allowance account with the loss being recognised within other operating and administrative expenses in profit or loss. On confirmation that the trade receivable will not be collectable, the gross carrying value of the asset is written off against the associated provision. The Corporation's loans and receivables comprise trade, other and related party receivables and cash and cash equivalents in the statement of financial position.

3.3.1.2 Cash and cash equivalents

Cash and cash equivalents includes cash in hand, other short term highly liquid investments readily convertible to known amounts of cash with original maturities of three months or less, and-for the purpose of the cash flow statement it includes bank overdraft.

3.3.1.3 Available-for-sale financial assets (Unquoted)

The unquoted available for sale investments are initially and subsequently measured at cost less impairment losses.

3.3.1.4 Available-for-sale financial assets (Quoted)

Available-for-sale financial assets are non-derivative financial assets that are either designated in this category or not classified in any of the other categories. Available-for-sale financial assets are initially and subsequently measured at fair value. Changes in the fair value are recognized in other comprehensive income and accumulated in the available for sale reserve. Where there is significant or prolonged decline in the fair value of an available for sale financial asset (which constitute objective evidence of impairment), the full amount of impairment, including any amount previously recognized in other comprehensive income, is recognized in profit or loss. Purchases and sales of available for sale financial assets are recognized on settlement date with any changes in fair value between trade date and settlement date being recognized in the available for sale reserve. On sale, the cumulative gain or loss recognized in other comprehensive income is reclassified from available for sale reserve to profit or loss.

3.3.1.5 De-recognition of financial assets

Investments are derecognized when the rights to receive cash flows from the investments have expired or where they have been transferred and the Corporation has also transferred substantially all risks and rewards of ownership. Gains and losses are recognised in profit or loss when the financial assets are derecognized or impaired.

Statement of accounting policies
for the year ended 31 December 2016 (continued)

3 Summary of accounting policies (continued)

3.3 Financial instruments (continued)

3.3.1.6 Impairment of financial assets

A financial asset is deemed to be impaired when its carrying amount is greater than its estimated receivable amount, and there is evidence to suggest that the impairment occurred subsequent to the initial recognition of the asset in the financial statements.

3.3.2 Financial liabilities

The Corporation's financial liabilities include borrowings, trade and other payables and bank overdrafts. These are initially recognised at fair value net of any transaction costs directly attributable to the issue of the instrument.

Such liabilities are subsequently measured at amortised cost using the effective interest rate method, which ensures that any interest expense over the period to repayment is at a constant rate on the balance of the liability carried in the statement of financial position. For the purposes of each financial liability, interest expense includes initial transaction costs and any premium payable on redemption, as well as any interest or coupon payable while the liability is outstanding.

3.3.3 Fair value measurement hierarchy

IFRS 7 requires certain disclosures which require the classification of financial assets and financial liabilities measured at fair value using a fair value hierarchy that reflects the significance of the inputs used in making the fair value measurement. The fair value hierarchy has the following levels:

(a) quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1);

(b) 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) (Level 2); and

(c) inputs for the asset or liability that are not based on observable market data (unobservable inputs) (Level 3).

The level in the fair value hierarchy within which the financial asset or financial liability is categorised is determined on the basis of the lowest level input that is significant to the fair value measurement.

3.4 Post-employment benefits

3.4.1 Defined contribution schemes

The Corporation makes defined pension contributions to National Social Security Authority (NSSA) and the Mining Industry Development Fund (MIPF). These are charged to the profit or loss in the year to which they relate.

Statement of accounting policies
for the year ended 31 December 2016 (continued)

3 Summary of accounting policies (continued)

3.4 Post-employment benefits (continued)

3.4.2 Defined benefit plan

The Corporation manages ZMDC Pension Fund as a defined benefit plan. The cost of providing benefits is determined using the projected unit credit method, with actuarial valuations being carried at intervals not exceeding three years.

Defined benefit plan surpluses and deficits are measured at:

- The fair value of plan assets at the reporting date; less
- Plan liabilities calculated using the projected unit credit method discounted to its present value using yields available on high quality corporate bonds that have maturity dates approximating to the terms of the liabilities; plus
- Unrecognised past service costs; less
- The effect of minimum funding requirements agreed with scheme trustees.

Remeasurements of the net defined obligation are recognised in other comprehensive income. The remeasurements include:

- Actuarial gains and losses
- Return on plan assets (interest exclusive)
- Any asset ceiling effects (interest exclusive).

Service costs are recognised in profit or loss, and include current and past service costs as well as gains and losses on curtailments.

Net interest expense (income) is recognised in profit or loss, and is calculated by applying the discount rate used to measure the defined benefit obligation (asset) at the beginning of the annual period to the balance of the net defined benefit obligation (asset), considering the effects of contributions and benefit payments during the period.

Gains or losses arising from changes to scheme benefits or scheme curtailment are recognised immediately in profit or loss. Settlements of defined benefit schemes are recognised in the period in which the settlement occurs.

3.5 Property, plant and equipment

Items of property, plant and equipment are initially recognised at cost. As well as the purchase price, cost includes directly attributable costs and the estimated present value of any future unavoidable costs of dismantling and removing items.

Items of property, plant and equipment other than land and buildings are subsequently carried at cost less accumulated depreciation and accumulated impairment losses.

Land is not depreciated. Depreciation is provided on all other items of property, plant and equipment so as to write off their carrying value over their expected useful economic lives.

Statement of accounting policies
for the year ended 31 December 2016 (continued)

3 Summary of accounting policies (continued)

3.6 Property, plant and equipment (Continued)

Depreciation is provided at the following rates on a straight line basis:

Buildings	40 years
Plant and machinery	10 years
Furniture, fittings and computer equipment	10 years
Motor vehicles	5 years
Kitchen equipment	2 years
Infrastructure and lab equipment	2 years
Land	not depreciated
Work in progress	not depreciated

The assets' residual values and useful lives are reviewed at each reporting date and adjusted if appropriate. The residual value of an asset is the estimated amount that would currently be obtained from disposal of the asset, after deducting the estimated costs of disposal, if the asset was already of the age and in condition expected at the end of its useful life. 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.

Impairment of property, plant and equipment

The carrying amount of property, plant and equipment is reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. Impairment loss is recognised directly through the statement of profit or loss and other comprehensive income when the carrying amounts of the assets exceed the fair values of the respective assets.

Derecognition of property, plant and equipment

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected from use or disposal. Gains and losses on disposals are determined by comparing proceeds with the carrying amounts. These gains and losses are included in profit or loss.

3.6 Intangible assets

Externally acquired intangible assets are initially recognised at cost and subsequently at cost less accumulated amortisation and any accumulated impairment losses. The Corporation has accounting software (SAP software system) which is amortised over the period in which benefits are expected to be obtained but not exceeding 10 years.

3.7 Inventories

Inventories are initially at cost and subsequently measured at the lower of cost and net realisable value. Net realisable value represents the estimated selling price for inventories less all estimated costs necessary to make the sale. Cost of inventory comprises all costs of purchase, conversion and other costs incurred in bringing the inventories to their present location and condition.

3.8 Provisions

Provisions are recognised when the Corporation has a present legal or constructive obligation as a result of past events and a reliable estimate of the obligation can be made. The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation. Where 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.

Statement of accounting policies
for the year ended 31 December 2016 (continued)

3 Summary of accounting policies (continued)

3.9 Joint ventures

Investments in equity accounted joint ventures are measured initially at cost and subsequently at cost less impairment losses.

3.10 Subsidiaries

Investments in subsidiaries are measured initially at cost and subsequently at cost less impairment losses.

3.11 Foreign currency transactions

Transactions in foreign currencies are initially recorded in the functional currency at the exchange rate ruling at the date of transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rate of exchange ruling at the reporting date. All differences are taken to profit or loss. Non-monetary items that are measured in terms of historical cost in foreign currencies are translated using the exchange rates as at the date of the initial transactions.

3.12 Borrowing costs

Borrowing costs are recognised in profit or loss using the effective interest rate method, except if they are directly attributable to the acquisition, construction or production of a qualifying asset then they are capitalized to the cost of the asset.

3.13 Income tax

3.13.1 Current tax

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the tax authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the reporting date.

3.13.2 Deferred tax

Deferred income 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 ventures where the timing of the reversal of the temporary differences can be controlled and it is probable that reversal of the temporal differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred income 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 utilized except

Statement of accounting policies
for the year ended 31 December 2016 (continued)

3 Summary of accounting policies (continued)

3.13 Income tax (continued)

3.13.2 Deferred tax (continued)

Where the deferred income 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; and in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures. Deferred tax assets are recognised only to the extent that it is probable that the temporary difference 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 income tax assets at each balance sheet date are 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 income tax asset to be utilised.

Unrecognised deferred income tax assets are reassessed at each reporting date and recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered. Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to 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. Income tax relating to items recognised directly in equity is recognised in equity and not in the statement of profit or loss and other comprehensive income. Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred tax relate to the same taxable entity and the same taxation authority. Deferred capital gains tax arises on the revalued property. The capital gains tax liability is computed on the revaluation adjustment based on rates ruling on the reporting date.

Notes to the financial statements
for the year ended 31 December 2016

		Notes	2016 USD	2015 USD
4	**Revenue**			
	Management and resource depletion fees		475 563	2 992 664
5	**Other income**			
	Dividends		-	2 000 000
	Rental revenue		212 820	202 542
	Scrap sales		122 373	26 970
	Other		230 212	4 423
	Movement in provision for leave days		-	369 644
			565 405	2 603 579
6	**Loss from operations**			
	Loss from operations for the year has been arrived at after charging the following:			
	Amortisation of intangible assets		108 548	108 548
	Audit fees		54 541	54 541
	Depreciation on property, plant and equipment		225 135	1 646 280
	Directors' remuneration	6.1	-	362 647
	Employee benefit expense:	6.2	11 814 914	11 814 914
6.1	**Directors' emoluments**			
	Fees		-	326 375
	Other		-	36 272
			-	362 647
6.2	**Employee benefit expense**			
	Contributions to Mining Industry Pension Fund		341 336	341 336
	Contributions to National Social Security Authority		40 191	40 191
	Contributions to ZMDC pension fund		244 917	244 917
	Salaries and allowances		11 188 470	11 188 470
			11 814 914	11 814 914
7	**Net finance costs**			
	Finance income		61 294	53 693
	Finance costs		(1 159 024)	(762 127)
			(1 097 730)	(708 434)

Notes to the financial statements
for the year ended 31 December 2016 (continued)

		2016 USD	2015 USD
8	**Taxation**		
8.1	**Income tax**		
	Current tax	-	-
	Deferred tax	4 654 884	(33 082 980)
		4 654 884	(33 082 980)
8.2	**Tax reconciliation:**		
	Loss before tax	(16 738 368)	(23 430 795)
	Notional tax thereon at a rate of 25.75%	(4 310 130)	(6 033 430)
	Tax effect of:		
	Non deductible/taxable items	9 533 074	4 735 827
	Non taxable items	(568 060)	(789 935)
	Adjustment for prior year provision	-	-
	Unrecognised prior year provisions	-	(30 995 442)
		4 654 884	(33 082 980)

Notes to the financial statements
for the year ended 31 December 2016 (continued)

9 Property, plant and equipment

	Land USD	Buildings USD	Mining assets USD	Plant and machinery USD	Motor vehicles USD	Fixtures and fittings USD	Computer equipment USD	Cellphone USD	Office equipment USD	Work in progress USD	Total USD
Year ended 31 December 2015											
Opening carrying amount	309 000	3 768 213	1 744	3 138	709 934	29 115	544 595	13 817	23 233	636 216	6 039 005
Additions	-	-	-	-	406 966	-	8 009	17 235	8 452	-	440 662
Disposals: Cost	-	-	-	-	(754 455)	-	(2 304)	(30 094)	-	-	(786 853)
Accumulated depreciation	-	-	-	-	637 492	-	2 048	29 279	-	-	668 819
Derecognition of mhangura assets	-	(3 990 707)	-	-	-	-	-	-	-	-	(3 990 707)
Depreciation for derecognised mhangura assets	-	946 557	-	-	-	-	-	-	-	-	946 557
Transfers in and out of work in progress	-	-	13 278	10324	-	-	286 688		-	(310 290)	-
Depreciation charge	-	(265 311)	(6 060)	(6 086)	(512 037)	(5 808)	(821 124)	(15 479)	(14 375)	-	(1 646 280)
Closing carrying amount	309 000	458 752	8 962	7 376	487 900	23 307	17 912	14 758	17 310	325 926	1 671 203
As at 31 December 2015						-	3 762 470				
Gross carrying amount-cost	309 000	16 681 012	45 472	32 140	2 218 495	147 847	4 049 158	42 217	81 459	325 926	23 932 726
Accumulated depreciation and impairment	-	(16 222 260)	(36 510)	(24 764)	(1 730 595)	(124 540)	(4 031 246)	(27 459)	(64 149)	-	(22 261 523)
Carrying amount at the end of the year	309 000	458 752	8 962	7 376	487 900	23 307	17 912	14 758	17 310	325 926	1 671 203
Year ended 31 December 2016											
Opening carrying amount	309 000	458 752	8 962	7 376	487 900	23 307	17 912	14 758	17 310	325 926	1 671 203
Additions	-	-	-	-	-	-	510	-	-	-	510
Disposals: Cost	-	-	-	-	(1 844 015)	-	(85 015)	(22 284)	(2 061)	-	(1 953 375)
Accumulated depreciation	-	-	-	-	1 579 730	-	83 316	22 273	2 061	-	1 687 380
Depreciation charge	-	(28 965)	(6 060)	(3 664)	(145 484)	(4 937)	(11 481)	(13 156)	(11 388)	-	(225 135)
Closing carrying amount	309 000	429 787	2 902	3 712	78 131	18 370	5 242	1 591	5 922	325 926	1 180 583
As at 31 December 2016											
Gross carrying amount-cost	309 000	16 681 012	45 472	32 140	374 480	147 847	3 964 653	19 933	79 398	325 926	21 979 861
Accumulated depreciation and impairment	-	(16 251 225)	(42 570)	(28 428)	(296 349)	(129 477)	(3 959 411)	(18 342)	(73 476)	-	(20 799 278)
Carrying amount at the end of the year	309 000	429 787	2 902	3 712	78 131	18 370	5 242	1 591	5 922	325 926	1 180 583

Notes to the financial statements
for the year ended 31 December 2016 (continued)

		Amount USD
10	**Intangible assets**	
	Gross carrying amount	
	Balance at 1 January 2016	714 606
	Additions	-
	Balance at 31 December 2016	714 606
	Amortisation and impairment	
	Balance at 1 January 2016	-
	Amortisation	(108 548)
	Balance at 31 December 2016	(108 548)
	Carrying amount 31 December 2016	606 058
	Gross carrying amount	
	Balance at 1 January 2015	823 154
	Additions	-
	Balance at 31 December 2015	823 154
	Amortisation and impairment	
	Balance at 1 January 2015	-
	Amortisation	(108 548)
	Balance at 31 December 2015	(108 548)
	Carrying amount 31 December 2015	714 606

10.1 Mining rights

On 10 November 2010, the Ministry of Mines and Mining Development issued special grants to carry out prospecting operations for diamonds ZMDC in terms of part XIX of the Mines and Minerals Act (Chapter 21:05) for reserved area number 1518. The special grants are for Mbada Diamonds (Private) Limited, Jinan (Private) Limited, Diamond Mining Corporation (Private) Limited respectively.

The corporation did not carry out a comprehensive exploration and evaluation program, covering concessions in which the joint venture companies are carrying out its mining activities therefore the value of mining rights was not ascertained.

Notes to the financial statements
for the year ended 31 December 2016 (continued)

		2016 USD	2015 USD
11	**Investment in subsidiaries**		
	Sandawana Mines (Private) Limited	2 969 986	2 969 986
	Jena Mines (Private) Limited	2 170 900	2 170 900
	Kimberworth Investments (Private) Limited	2 330 984	2 330 984
	Marange Resources (Private) Limited	10	10
	Shabani and Mashava Mines (Private) Limited	2 000 000	2 000 000
	ZMDC Management Services (Private) Limited	1	1
	Protea Court (Private) Limited	1	1
	Mineral Development (Private) Limited	1	1
	Mining Promotion Corporation	1	1
	Impairment loss	(9 471 880)	(9 471 880)
		4	4
12	**Investment in joint ventures**		
	Zimbabwe German Graphite Mine (Private) Limited	474 103	474 103
13	**Available for sale investments**		
	Opening balance	10 168 478	10 168 815
	Impairement	(10 000 000)	-
	Fair value adjustments	-	(337)
	Closing balance	168 478	10 168 478
	Available for sale financial assets include the following:		
	Quoted		
	Rio Tinto Limited	164 645	164 645
	Bougainville Copper Limited	1 595	1 595
	Old Mutual Zimbabwe Limited	2 238	2 238
		168 478	168 478
	Unquoted		
	Glasfinish Investments (Private) Limited	-	10 000 000
		168 478	10 168 478

Quoted shares were valued using published market prices with fair value adjustments recognised in other comprehensive income. Unquoted shares have no ready market hence are valued at cost.

		2016 USD	2015 USD
14	**Long term receivables**		
	Staff housing and other loans	459 979	588 543

Other receivables comprise housing loans advanced to employees which are payable over 15 years. The loans attract interest at 6% per annum. The loans are secured against the properties that were acquired by the employees.

Notes to the financial statements
for the year ended 31 December 2016 (continued)

	2016 USD	2015 USD
15 Inventories		
Consumables	12 210	15 996
Diamonds	5 696	5 696
	17 906	21 692

	2016 USD	2015 USD
16 Trade and other receivables		
Trade receivables, gross	62 968	77 675
Other	985 163	1 072 675
	1 048 131	1 150 350
Allowance for credit losses	(1 040 445)	(867 578)
	7 686	282 772

The movement in the allowance for credit losses can be reconciled as follows:

Balance 1 January 2016	915 195	571 370
Increase in allowance for credit losses	1 040 445	343 825
Balance 31 December 2016	1 955 640	915 195

The carrying amount of receivables approximates their fair value.

17 Related party transactions and balances

The Corporation's related parties include companies under common control, key management and others as described below:

Related party	Nature of relationship
Anjin Investments (Private) Limited	Associate
Kusena Diamonds (Private) Limited	Associate
Mining Promotion Corporation	Associate
Diamond Mining Corporation (Private) Limited	Joint venture
Jinan Mining (Private) Limited	Joint venture
Mbada Diamonds (Private) Limited	Joint venture
Zimbabwe German Graphite Mines (Private) Limited	Joint venture
Ministry of Mines and Mining Development	Shareholder
Sandawana Mines (Private) Limited	Subsidiary
Shabani and Mashava Mines (Private) Limited	Subsidiary
Elvington Mine (Private) Limited	Wholly owned subsidiary
Golden Kopje (Private) Limited	Wholly owned subsidiary
Jena Mines (Private) Limited	Wholly owned subsidiary
Kimberworth Investments (Private) Limited	Wholly owned subsidiary
Marange Resources (Private) Limited	Wholly owned subsidiary
Protea Court (Private) Limited	Wholly owned subsidiary
ZMDC Pension Fund	Wholly owned subsidiary

Notes to the financial statements
for the year ended 31 December 2016 (continued)

17 Related party transactions and balances (continued)

Related party	Nature of relationship
Rera Diamonds ((Private) Limited	Joint venture
Global Platinum Resources (Private) Limited	Associate
Mr. S. Simango	Key management
Mr. W. Chinzou	Key management
Mrs. B. Muzangaza	Key management
Mr. C. Zishumba	Key management

Unless otherwise stated, none of the transactions incorporate special terms and conditions and no guarantees were given or received. The following represent transactions with related parties during the year:

17.1 Transactions with related parties

The following represent transactions with related parties during the year:

Related party	Nature of transactions
Anjin Investments (Private) Limited	Management fees and special depletion fees
Diamond Mining Corporation (Private) Limited	Management fees and special depletion fees
Elvington Mine (Private) Limited	Financing
Golden Kopje (Private) Limited	Financing
Jena Mines (Private) Limited	Management fees
Jinan Mining (Private) Limited	Management fees and special depletion fees
Kimberworth Investments (Private) Limited	Management fees
Kusena Diamonds (Private) Limited	Management fees and Financing
Marange Resources (Private) Limited	Management fees and special depletion fees
Mbada Diamonds (Private) Limited	Management fees and special depletion fees
Mining Promotion Corporation	Financing
Ministry of Mines and Mining Development	Dividends and special depletion fees
Protea Court (Private) Limited	Rentals
Sandawana Mines (Private) Limited	Financing
Shabani and Mashava Mines (Private) Limited	Financing
Zimbabwe German Graphite Mines (Private) Limited	Financing
ZMDC Pension Fund	Employee pensions

Notes to the financial statements
for the year ended 31 December 2016 (continued)

17 Related party transactions and balances (continued)

17.2 Related party receivables

	2016 USD	2015 USD
Marange Resources (Private) Limited	9 818 640	9 814 964
Mbada Diamonds (Private) Limited	7 148 435	7 148 435
Elvington Mine (Private) Limited	6 519 195	6 454 307
Jena Mines (Private) Limited	9 829 867	10 075 026
Protea Court (Private) Limited	90 227	123 475
Kimberworth Investments (Private) Limited	10 820 218	10 817 309
Sandawana Mines (Private) Limited	7 431 868	7 424 261
Zimbabwe German Graphite Mines (Pvt) Ltd	100 584	36 194
ZMDC Pension Fund	1 194	3 079
Kusena Diamonds (Private) Limited	5 253 203	5 239 642
Shabani and Mashava Mines (Private) Limited	16 593 335	16 812 611
Oldstone (Private) Limited	700 000	700 000
Anjin Investments (Private) Limited	675 896	729 922
Mining Promotion Corporation	2 079 000	2 080 626
Golden Kopje (Private) Limited	19 987	19 987
Diamond Mining Corporation (Private) Limited	22 177	23 542
Jinan (Private) Limited	42 995	62 995
Glassfinish	40 000 000	40 000 000
	117 146 821	117 566 375
Allowance for credit losses	(116 281 484)	(114 917 239)
	865 337	2 649 136

All amounts are short term. The net carrying value of related party receivables is considered a reasonable approximation of fair value. All related party receivables have been reviewed for indicators of impairment. During the year, a total amount of USD 4 960 835 was included in profit and loss as an expense increasing the allowance relating to credit losses.

The movement in the allowance for credit losses can be reconciled as follows:

	2016 USD	2015 USD
Balance 1 January	114 917 239	109 956 404
Increase in allowance for credit losses	1 364 245	4 960 835
Balance 31 December	116 281 484	114 917 239

Notes to the financial statements
for the year ended 31 December 2016 (continued)

	Notes	2016 USD	2015 USD
17 Related party transactions and balances (continued)			
17.3 Related party payables			
Diamond Mining Corporation (Private) Limited		9 565 700	9 565 700
17.4 Transactions with key management			

Key management are employees who have authority, are responsible for planning, directing and controlling the activities of the Corporation. Key management personnel's remuneration includes the following expenses:

	Notes	2016 USD	2015 USD
Short-term employee benefits:			
Salaries		388 310	388 310
Other benefits and allowances		297 589	297 589
		685 899	685 899
Post-employment benefits:			
Defined contribution pension plans		32 324	32 324

Loans to key management

Included in long term receivables is the following loan to key management:

	Notes	2016 USD	2015 USD
Loan to key management		888 190	888 190

The loans are secured against the properties bought by the employees. Interest is charged at 6% per annum and the loans are repayable over 15 years.

18 Cash and cash equivalents

For purposes of the statement of cash flows, cash and cash equivalents include cash on hand and in banks and investments in money market instruments, net of outstanding bank overdrafts. Cash and cash equivalents at the end of the financial year as shown in the statement of cash flows can be reconciled to the related items in the statement of financial position as follows:

	Notes	2016 USD	2015 USD
Cash on hand		1	1 125
Cash at bank		87 045	106 343
		87 046	107 468
Bank overdraft	**18.1**	(103 436)	(114 462)
		(16 390)	(6 994)

Notes to the financial statements
for the year ended 31 December 2016 (continued)

18 Cash and cash equivalents (continued)

18.1 Bank overdraft

	Notes	2016 USD	2015 USD
FBC Bank Limited		101 066	112 405
CBZ Bank Limited		2 370	2 057
		103 436	114 462

Bank overdraft relates to the following secured overdraft facilities:

FBC Bank Limited
This is a secured overdraft facility for an amount not exceeding USD 1 000 000. The Corporation has exceeded the limit of this overdraft facility. Interest is charged at a rate of 18% per annum. The expiry date of the overdraft facility is 30 October 2015.

CBZ Bank Limited
This is a unsecured overdraft facility for an amount not exceeding USD 677 000. The Corporation has exceeded the limit of this overdraft facility. Interest is charged at a rate of 13 % per annum The expiry date of the overdraft facility was on 30 May 2014. The Corporation breached the terms of the overdraft facility by exceeding the maximum cap and is being charged penalties at a default rate of 23% per annum on the unauthorised excess.

19 Share capital

Authorised share capital

	2016 USD	2015 USD
180 000 000 ordinary shares of ZWD 1 each	-	-

Issued

	2016 USD	2015 USD
44 000 000 ordinary shares of ZWD 1 each	-	-

Share capital has not been redenominated from Zimbabwe dollars to United States Dollars.

20 Deferred tax

Deferred tax is arising from temporary differences and are summarised as follows:

	Notes	2016 USD	2015 USD
Opening balance at 1 January		(31 668 844)	1 414 223
Movement through other comprehensive income		-	(87)
Movement through profit or loss	8.2	4 654 884	(33 082 980)
Closing balance at 31 December		(27 013 960)	(27 013 960)

Notes to the financial statements
for the year ended 31 December 2016 (continued)

	Notes	2016 USD	2015 USD
20 Deferred tax			
Deferred tax is arising from temporary differences and are summarised as follows:			
Opening balance at 1 January		(31 668 844)	1 414 223
Movement through other comprehensive income		-	(87)
Movement through profit or loss	8.2	4 654 884	(33 082 980)
Closing balance at 31 December		(27 013 960)	(31 668 844)

Reconcilaiation of deferred tax balance

The deferred tax asset relate to deductible temporary differences recognised from revenue received in advance (customer deposits) as well as deductible temporary difference recognised on provisions for dismantling and rehabilitation costs.

	Recognised in other comprehensive income USD	Recognised in profit or loss USD	Total USD
Balance at 1 January 2015	-	1 414 223	1 414 223
Accelarated wear and tear	-	(1 124 950)	(1 124 950)
Armotisation	-	(55 902)	(55 902)
Fair value adjustment on investments	(87)	-	(87)
Allowance for credit losses	-	(29 814 590)	(29 814 590)
Post employement benefit	-	-	-
Unutilised assessed losses	-	(2 087 538)	(2 087 538)
Balance at 31 December 2015	(87)	(31 668 757)	(31 668 844)
Balance at 1 January 2016	(87)	(31 668 757)	(31 668 844)
Accelarated wear and tear	-	(108 866)	(108 866)
Armotisation	-	(27 951)	(27 951)
Fair value adjustment on investments	-	-	-
Allowance for credit losses	-	(395 806)	(395 806)
Post employement benefit	-	-	-
Unutilised assessed losses	-	5 187 507	5 187 507
Balance at 31 December 2016	(87)	(27 013 873)	(27 013 960)

Notes to the financial statements
for the year ended 31 December 2016 (continued)

	2016 USD	2015 USD

21 Retirement benefits

21.1 ZMDC Pension Fund

Certain eligible employees of the Corporation are members of the ZMDC Pension Fund which is a defined benefit plan administered by Trustees. The Pension Fund is funded by payments from employees and the Corporation taking into account the recommendations of independent qualified actuaries.

The assets and liabilities of the Fund relating to the Corporation cannot be separated from the total for the whole Group. The most recent actuarial valuation carried out on 31 December 2014 for the whole Group fund revealed that the fund was adequately funded:

The principal actuarial assumptions used in the report were as follows:

Valuation rate of interest:		
	In preretirement period	8% per annum
	In post retirement period	5% per annum
Rate of salary escalation		4% per annum

Contributions during the year were as follows:
Post employment benefit liability

	2016 USD	2015 USD
Present value of obligation	6 707 699	6 707 699
Fair value of plan assets	(3 514 349)	(3 514 349)
	3 193 350	3 193 350
Reconciliation of defined benefit obligation		
Opening balance	6 707 699	6 707 699
Movement	-	-
Closing balance	6 707 699	6 707 699
Reconciliation of defined benefit assets		
Opening balance	3 514 349	3 514 349
Movement	-	-
Closing balance	3 514 349	3 514 349

Notes to the financial statements
for the year ended 31 December 2016 (continued)

	2016 USD	2015 USD
21 Retirement benefits (Continued)		
21.1 ZMDC Pension Fund (Continued)		
Plan assets comprise		
Ordinary shares	177 092	177 092
Fixed property	1 574 000	1 574 000
Old Mutual Flex Fund	1 561 329	1 561 329
Cash on short notice	638 183	638 183
Net current and other assets	(436 255)	(436 255)
	3 514 349	3 514 349

22 Short term loans

	2016 USD	2015 USD
CBZ Bank Limited	7 475 537	6 400 988
FBC Bank Limited	1 118 342	1 075 000
	8 593 879	7 475 988

The short term loans relate to the following facilities:

22.1 CBZ Bank Limited

The loan facility with CBZ Bank Limited accrues interest at 13% per annum. It is repayable over 2 years and expires on 31 October 2015. The Corporation has undertaken to deposit all business proceeds through accounts held with CBZ Bank Limited as security for the loan.

22.2 FBC Bank Limited

The loan facility attracts interest at 18% per annum and expired on 31 October 2015. It is secured by notarial bonds of USD1 000 000 held by both Jena Mines (Private) Limited and Kimberworth Investments (Private) Limited.

23 Trade and other payables

	2016 USD	2015 USD
Trade	1 818 762	1 341 463
Other	35 050 931	31 743 804
	36 869 693	33 085 267

24 Short-term provisions

All provisions are considered current. The carrying amounts and the movements in the provision account are as follows:

	2016 USD	2015 USD
Carrying amount at the beginning of the year	-	54 541
Amount recognised during the year	-	-
Reversal	-	-
Amount utilised	-	(54 541)
Carrying amount at the end of the year	-	-

Notes to the financial statements
for the year ended 31 December 2016 (continued)

	2016 USD	2015 USD
25 Net effect of changes in working capital		
Decrease in inventories	3 786	8 877
Decrease in trade and other receivables	275 086	2 082 015
Decrease in related party receivables	1 783 799	15 570 475
Increase in trade and other payables	3 784 426	3 824 389
Decrease in related party payables	-	(27 576)
Decrease in long term receivables	128 564	174 765
Increase in long term payables	(936 803)	-
	5 038 858	21 632 945

26 Post employment benefits

26.1 Mining Industry Pension Fund

Pensions are provided for employees through a separate fund to which the Corporation and employees contribute. The pension fund is a defined contribution plan under which retirement benefits are determined by reference to the pensionable remuneration and years of service.

	2016 USD	2015 USD
Contributions for the year	506 862	506 862

26.2 National Social Security Authority

The Corporation makes contributions to the National Social Security Scheme, a Defined Contribution Pension Scheme promulgated under the National Social Security Act of 1989. The Corporation's obligation under the scheme is limited to specific contributions legislated from time to time. These are presently 3.5% of basic salary per employee per month upto a contribution of USD 24.50.

	2016 USD	2015 USD
Contributions for the year	64 237	64 237

27 Financial Instruments - Risk Management

The Corporation is exposed through its operations to the following financial risks:
1. Credit risk
2. Liquidity risk
3. Interest risk

In common with all other businesses, the Corporation is exposed to risks that arise from its use of financial instruments. This note describes the Corporation's objectives, policies and processes for managing those risks and methods used to measure them. Further quantitative information in respect of these risks is presented throughout these financial statements.

There have been no substantive changes in the Corporation's exposure to financial instrument risks, its objectives, policies and processes for managing those risks or the methods used to measure them from previous periods unless otherwise stated in this note.

Notes to the financial statements
for the year ended 31 December 2016 (continued)

27 Financial Instruments - Risk Management (continued)

The Corporation is exposed through its operations to the following financial risks:
1. Credit risk
2. Liquidity risk
3. Interest risk

In common with all other businesses, the Corporation is exposed to risks that arise from its use of financial instruments. This note describes the Corporation's objectives, policies and processes for managing those risks and methods used to measure them. Further quantitative information in respect of these risks is presented throughout these financial statements.

There have been no substantive changes in the Corporation's exposure to financial instrument risks, its objectives, policies and processes for managing those risks or the methods used to measure them from previous periods unless otherwise stated in this note.

Principal financial instruments

The principal financial instruments used by the Corporation, from which financial instruments risk arise, are as follows:

1. Trade and other receivables
2. Bank and cash balances
3. Available for sale investments
4. Loans and borrowings
5. Trade and other payables
6. Bank overdraft

General objectives, policies and processes

The Board has overall responsibility for the determination of the Corporation's risk management objectives and policies and, whilst retaining ultimate responsibility for them, it has delegated the authority for designing and operating processes that ensure the effective implementation of the objectives and policies to the Corporation's finance function. The Corporation's internal auditors also review the risk management policies and processes and report their findings to the Legal, Risk and Audit Committee.

27.1 Financial instruments by category

A summary of the financial instruments held at 31 December 2015 as per the statement of financial position by category is provided below:

Assets (excluding prepayments)	Loans and receivables USD	Available for sale investments USD	Total USD
Available for sale investments	-	168 478	168 478
Trade and other receivables	7 686	-	7 686
Long term receivables	459 979	-	459 979
Cash and cash equivalents	87 046	-	87 046
Total	554 711	168 478	723 189

Notes to the financial statements
for the year ended 31 December 2016 (continued)

27 Financial Instruments - Risk Management (continued)

27.1 Financial instruments by category (continued)

Liabilities (excluding statutory obligations)	Financial liabilities at fair value through profit or loss USD	Other financial liabilities at amortised cost USD	Total USD
Other financial liabilities	-	46 435 393	46 435 393
Borrowings	-	8 593 879	8 593 879
Bank overdraft	-	103 436	103 436
Total	-	55 132 708	55 132 708

27.2 Credit risk

Credit risk is the risk of financial loss to the Corporation if a customer or a counterparty to a financial instrument fails to meet its contractual obligations. The Corporation is mainly exposed to credit risk from trade and other receivables. The credit risk with respect to trade and other receivables is limited to contractual obligations by debtors. It is Corporation policy, to assess the credit risk of new customers before entering contracts. Further disclosures regarding trade and other receivables, which are neither past due nor impaired, are provided in note 16. Credit risk also arises from cash and cash equivalents and deposits with banks and financial institutions. The Corporation's cash and cash equivalents are placed with high quality financial institutions.

27.3 Liquidity risk management

This is the risk of insufficient liquid funds being available to cover commitments. In order to mitigate any liquidity risk that the Corporation faces, the Corporation's policy has been throughout the year ended 31 December 2015, to maintain substantial unutilised facilities as well as significant liquid resources. Borrowing facilities are negotiated with approved financial institutions at acceptable interest rates. The liquidity risk exposure in relation to financial liabilities are set out below.

Financial liabilities	Up to 3 months USD	Between 3 and 12 months USD	Between 12 and 24 months USD	Over 2 years USD
Loans and borrowings	8 593 879	-	-	-
Bank overdraft	103 436	-	-	-
Trade and other payables	36 869 693	-	-	-
	45 567 008	-	-	-

Notes to the financial statements
for the year ended 31 December 2016 (continued)

27 Financial Instruments - Risk Management (continued)

27.4 Interest rate risk management

Interest rate risk is the risk that fluctuating interest rates will unfavourably affect the Corporation's earnings and the value of its assets, liabilities and capital. The Corporation held interest bearing liabilities as at 31 December 2015 as disclosed in Note 24. However, interest rates are fixed and, therefore, a sensitivity analysis has not been performed.

27.5 Foreign exchange risk

Foreign exchange risk arises when individual Corporation enters into transactions denominated in a currency other than its functional currency. The Corporation's policy is, where possible, to settle liabilities denominated in its functional currency with the cash generated from its own operations in that currency. Where the Corporation has liabilities denominated in a currency other than its functional currency (and have insufficient reserves of that currency to settle them), cash already denominated in that currency will, where possible, be transferred from elsewhere within the Corporation.

27.6 Financial instruments not measured at fair value

Financial instruments not measured at fair value include cash and cash equivalents, trade and other receivables, trade and other payables. Due to their short term nature, their carrying values approximates their fair value.

27.7 Financial instruments measured at fair value

The financial instruments below were measured at fair value at 31 December using Level 1 inputs:

	2016 USD	2015 USD
Financial assets		
Available for sale investments	168 478	168 478

No financial instruments were measured using Level 2 and Level 3 inputs during the current and comparative years.

28 Management of capital

The Corporation's objective when managing capital is to safeguard the entity's ability to continue as a going concern, so that it can provide returns for shareholders and benefits to other stakeholders. The capital of the Corporation comprise issued share capital, non distributable reserves, available for sale reserve and retained earnings.

The Corporation manages its capital structure and makes adjustments to it in light of changes in economic conditions. The Corporation pays dividends from profits and they are paid if resources are available to do so.

The Group sets the amount of capital it requires in proportion to risk. The Group manages its capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares, or sell assets to reduce debt.

Notes to the financial statements
for the year ended 31 December 2016 (continued)

28 Management of capital (continued)

The Corporation's capital is made up of the following:

	2016 USD	2015 USD
Share capital	-	-
Non distributable reserve	2 436 939	2 436 939
Available for sale reserve	10 504 292	10 504 292
Accumulated losses	(45 592 804)	(24 199 552)
	(32 651 573)	(11 258 321)

29 Contingent liabilities

Legal cases

The Corporation cancelled a joint venture agreement with Amari due to alleged misrepresentations made by Amari. Amari has invoked the dispute resolution clause and referred the matter for arbitration to the International Court of Arbitration in Paris. The International Court of Arbitration in Paris awarded, Amari, **USD 48 million** in penalties. The corporation has since applied to the high court and are still awaiting trial.

Proceedings were instituted in the US courts (the Southern District Court of New York) for a declaratory judgement to have the corporation together with MMCZ, Agribank, ZB bank and ZIMRE Properties declared as alter egoes or instrumentalities of the government of Zimbabwe and therefore liable for an arbitration award of **USD 40 million** plus interest in favour of Funnekotter and others which the company obtained against the government of Zimbabwe. The award related to Zimbabwe farms that Funnekotter and other Dutch Nationals had been utilising in terms of the agreement involving the Zimbabwe and Dutch governments, despite the said agreements the farms were taken over by Zimbabwe nationals and subsequently gazetted.

An appeal was made by African Consolidated Resources which is still pending at the supreme court against the high court's judgement rescinding an earlier judgement which compelled the corporation to surrender diamond claims in Marange which fall within the claims initially registered in African Consolidated Resources' favour and to account for all diamonds mined there at a value of 129 400 diamond carats.

The ultimate outcome of the above matters cannot presently be determined, and management has not been able to reliably estimate a provision to the extent of the potential financial losses arising from the pending legal case.

Statutory obligations

The Corporation has a significant obligation arising from non remittance of statutory obligations to ZIMRA, MIPF, ZMDC, NSSA, ZIMDEF and Ministry of industry and commerce. Below is a summary of statutory obligations that have been recognised in the statement of financial position:

Notes to the financial statements
for the year ended 31 December 2015 (continued)

29 Contingent liabilities (continued)

	2016 USD	2015 USD
Zimbabwe Revenue Authority	30 686 052	30 686 052
Mining Industry Pension Fund	1 915 304	1 915 304
National Social Security Authority	112 475	112 475
Zimbabwe Manpower Development Fund	158 664	158 664
	32 872 495	32 872 495

In cases of non remittance of statutory obligations penalties and interests are chargeable.

30 Going concern

The Directors have assessed the ability of the Corporation to continue operating as a going concern, and based on the company's vast mineral resources and untapped potential the directors believe that the preparation of these financial statements on a going concern basis is still appropriate.

Net current liability position

At the balance sheet date, the Corporation's current liabilities exceeded its current assets by USD 59 361 388 as at 31 December 2016; (2015: USD 52 413 949). The accumulated loss for the year ended 31 December 2016 was USD 21 393 252 (2015:USD 19 986 181).

Litigation cases

The Corporation had litigation claims levelled against it during the year. The value of significant legal cases for Zimbabwe Mining Development Corporation as at 31 December 2016 is as follows:

Cases for which judgment has been passed against the corporation	-	-
Cases pending judgment at the courts	121 771 697	101 332 208
Total value of litigation cases	121 771 697	101 332 208