



Zimbabwe Mining Development Corporation
Annual financial statements
31 December 2018

NATURE OF BUSINESS:

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

DIRECTORS:

Chimboza P.	(Chairman)
Pasipamire W.	(Vice Chairman)
Chitambira B.	(General Manager)
Chella S.	(Non-executive)
Jaure R.	(Non-executive)
Mandimuka R.	(Non-executive)
Murangani D.	(Non-executive)
Tahwa C.	(Non-executive)

SECRETARY:

Chiparo T.

REGISTERED OFFICE:

MMCZ Building
90 Mutare Road
Zimbabwe Mining Development Corporation
HARARE

AUDITORS:

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

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

Responsibilities of management and Those Charged with Governance for the Financial Statements for the year ended 31 December 2018

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 the 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 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 not been prepared by management in accordance with International Financial Reporting Standards (IFRSs). As described in note 29, the Corporation had to be guided by SI 41/2019 which states that in the case of any inconsistency between a local pronouncement and any international standard, the local pronouncement shall take precedence to the extent of the inconsistency. In compliance with SI 33/2019, the Corporation maintained its functional currency as the USD and has presented the financial statements in USD using an exchange rate of 1:1 between the RTGS FCA and Nostro FCA. This constitutes a departure from the requirements of IAS 21 - The Effects of Changes in Foreign Exchange Rates.

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 systems of accounting and internal control are operating in a satisfactory manner.

In light of the current financial position, the Directors' are satisfied that the Corporation is a going concern and have continued to adapt the going concern basis in preparing the financial statements.

The Corporation's financial statements which are set out below on pages 7 to 43 were, in accordance with their responsibilities, approved by the Board of Directors' on..... 2020 and are signed on its behalf by:


.....
Chimbozha P.
Chairman


.....
Akino L.
Acting General Manager

INDEPENDENT AUDITORS' REPORT

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To the members of Zimbabwe Mining Development Corporation

Report on the Audit of the Financial Statements

Adverse Opinion

We have audited the financial statements of Zimbabwe Mining Development Corporation set out on pages 7 to 42, which comprise the statement of financial position as at 31 December 2018, the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

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

Basis for Adverse Opinion

(i) Non Compliance with International Accounting Standard 21 (IAS 21), The Effects of Changes in Foreign Exchange Rates.

On 1 October 2018, the Reserve Bank of Zimbabwe (RBZ) issued a Monetary Policy Statement which directed banks to separate bank accounts into Real Time Gross Settlement Foreign Currency Accounts (RTGS FCAs) and Nostro FCAs. As described in Note 29 to these financial statements, the economic environment during the year ended 31 December 2018 was characterised by 'multi-tiered' pricing, and the Corporation transacted predominantly in RTGS FCA (electronic payments), including mobile money, bond notes and coins.

On 20 February 2019, a Monetary Policy Statement was issued, denominating the existing RTGS balances, bond notes and coins in circulation as RTGS dollars in order to establish an exchange rate between the existing monetary balances and foreign currency. The RTGS dollars became part of the multi-currency system in Zimbabwe through the issuance of SI 33/2019, with an effective

date of 22 February 2019. The SI provided that for accounting and other purposes, all assets and liabilities that were immediately before the effective date, valued and expressed in United States dollars shall on and after the effective date be deemed to be values in RTGS dollars at a rate of 1:1 to the United States dollar. This was not consistent with IAS 21 which requires that an assessment be made of the change in functional currency and that financial statements be presented at a rate that approximates the market rate. As described in note 29.3, the Corporation had to be guided by SI 41/2019 which states that in the case of any inconsistency between a local pronouncement issued by the Board through a notice in the Government Gazette and any international standard, the local pronouncement shall take precedence to the extent of the inconsistency.

In compliance with SI 33/2019, the Corporation maintained its functional currency as the USD and has presented the financial statements in USD using an exchange rate of 1:1 between the RTGS FCA and Nostro FCA. This constitutes a departure from the requirements of IAS 21-The Effects of Changes in Foreign Exchange Rates. Had the financial statements been prepared in accordance with the requirements of IAS 21, many elements would have been materially affected. As a result, the impact of the Corporation's inability to comply with IAS 21 has been determined as significant. The effects on the financial statements of the non-compliance with IAS 21 are considered material and pervasive to the financial statements, taken as a whole.

The 'multi-tiered' pricing environment which prevailed in the country during the year ended 31 December 2018 resulted in transactions bearing similarities to what one would expect with transactions that are undertaken in different currencies to which IAS 21-The Effects of Changes in Foreign Exchange Rates would apply.

The Directors have performed a sensitivity analysis of how different exchange rates would have impacted the financial statements as at 31 December 2018 and disclosed this sensitivity analysis in note 29 to the financial statements. These amounts presented may not reflect the opening balances, in RTGS Dollars, going forward.

(ii) 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 Total Mining (Private) Limited, Zimbabwe Consolidated Diamond Company (ZCDC), Golden Kopje (Private) Limited, Global Platinum Resources (Private) Limited and Northridge Platinum. Accordingly, we were unable to determine the extent of the financial impact of non-compliance on the financial statements.

(iii) Non-compliance with International Accounting Standard 38 (IAS 38)

The standard 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.

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. The key audit matter stated below relates to the annual financial statements.

Key Audit Matter	How our audit addressed the Key Audit Matter
<p>Revenue</p> <ul style="list-style-type: none"> • The amount of revenue and profit recognized in the year on revenue amounting to USD 514 362 is dependent on the appropriate recording of the Management and resource depletion fees • As revenue recognition is significant to our audit, the Company might inappropriately account for revenue for accounting purposes by overstating or understating revenue. 	<p>Our audit procedures to address the risk of material misstatement relating to revenue recognition, which was considered to be a reasonably possible risk, included:</p> <ul style="list-style-type: none"> • 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. <p>We satisfied ourselves that the Company's revenue recognition is appropriate.</p>

Going Concern

Without further qualifying our opinion, we draw attention to **Note 27** to the financial statement which indicates that the corporation incurred a loss before tax of **USD 4 608 538 (2017: USD3 844 850)** for the year ended 31 December 2018. As at that date, the Corporation's current liabilities exceeded current assets by **USD 66 351 553 (2017: USD 62 589 372)**. This indicates material uncertainty that may cast significant doubt about the ability of the Corporation to continue as a going concern.

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRSs, and for such internal control as management 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, management 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 management either intends to liquidate the Corporation or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Corporation's 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 scepticism 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 management.
- Conclude on the appropriateness of management'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 are responsible for the direction, supervision and performance of the Corporation audit. We remain solely responsible for our audit opinion.

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.

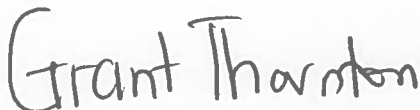
We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

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

Report on other legal and regulatory requirements

In our opinion, except for the effects of matters referred to in the Basis for Adverse Opinion, the financial statements have been properly prepared in compliance with the requirements of the Companies Act (Chapter 24:03) and the relevant Statutory Instruments SI 33/99 and SI 62/96.

The engagement partner on the audit resulting in this Independent auditor's report is Edmore Chimhowa.



Edmore Chimhowa
Partner

Registered Public Auditor (PAAB No: 0470)

Grant Thornton
Chartered Accountants (Zimbabwe)
Registered Public Auditors

20 May2020

HARARE


**Statement of profit or loss and other comprehensive income
for the year ended 31 December 2018**

	Notes	2018 USD	2017 USD
Revenue	4	514 362	661 580
Other income	5	450 805	1 109 712
Administration expenses		<u>(4 133 487)</u>	<u>(4 488 940)</u>
Loss from operations	6	(3 168 320)	(2 717 648)
Finance costs	7.1	<u>(1 440 218)</u>	<u>(1 127 202)</u>
Loss before tax		(4 608 538)	(3 844 850)
Taxation	8	<u>181 051</u>	<u>342 660</u>
LOSS FOR THE YEAR		<u><u>(4 427 487)</u></u>	<u><u>(3 502 190)</u></u>
Other comprehensive income:			
Items that will not be reclassified to profit or loss:			
Remeasurement of defined benefit pension plan		<u>1 529 451</u>	<u>1 059 170</u>
Other comprehensive income for the year, net of tax		<u>1 529 451</u>	<u>1 059 170</u>
TOTAL COMPREHENSIVE LOSS FOR THE YEAR		<u><u>(2 898 036)</u></u>	<u><u>(2 443 020)</u></u>

**Statement of financial position
as at 31 December 2018**

	Notes	2018 USD	2017 USD
ASSETS			
Non-current assets			
Property, plant and equipment	9	721 444	1 076 847
Intangible assets	10	388 962	497 510
Investment in subsidiaries	11	4	4
Investment in joint ventures	12	474 103	474 103
Deferred tax	19	30 017 990	30 068 022
Long term receivables -staff debtors	13	72 552	223 875
		<u>31 675 055</u>	<u>32 340 361</u>
Current assets			
Inventories	14	16 513	17 701
Trade and other receivables	15	50 684	23 299
Related party receivables	16.2	3 967 087	183 396
Cash and cash equivalents	17	5 325	38 067
		<u>4 039 609</u>	<u>262 463</u>
Total assets		<u>35 714 664</u>	<u>32 602 824</u>
EQUITY AND LIABILITIES			
Share capital	18	-	-
Non distributable reserve		12 941 231	12 941 231
Accumulated loss		(49 384 587)	(44 957 100)
		<u>(36 443 356)</u>	<u>(32 015 869)</u>
Non-current liabilities			
Post employment benefit liability	20	1 766 858	1 766 858
Current liabilities			
Bank overdraft	17.1	2 061 313	1 561 432
Short-term loans	21	15 988 533	8 269 703
Trade and other payables	22	37 911 621	38 352 278
Current income tax payable		4 863 995	4 863 995
Related party payable	16.3	9 565 700	9 804 427
		<u>70 391 162</u>	<u>62 851 835</u>
Total equity and liabilities		<u>35 714 664</u>	<u>32 602 824</u>


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Chimboza P.
Chairman


.....
Akino L.
Acting General Manager

**Statement of changes in equity
for the year ended 31 December 2018**

	Share capital USD	Non distributable reserve USD	Accumulated loss USD	Total USD
Balance as at 1 January 2017	-	12 941 231	(41 454 910)	(28 513 679)
Total comprehensive loss for the year	-	-	(3 502 190)	(3 502 190)
Balance as at 31 December 2017	-	12 941 231	(44 957 100)	(32 015 869)
Balance as at 1 January 2018	-	12 941 231	(44 957 100)	(32 015 869)
Total comprehensive loss for the year	-	-	(4 427 487)	(4 427 487)
Balance as at 31 December 2018	-	12 941 231	(49 384 587)	(36 443 356)

**Statement of cash flows
for the year ended 31 December 2018**

	Notes	2018 USD	2017 USD
Cash flows from operating activities			
Loss before tax		(4 608 538)	(3 844 850)
Adjustments for non-cash items:			
Depreciation on property, plant and equipment		41 014	77 207
Depreciation of derecognised assets		(115 319)	(68 378)
Amortisation of intangible assets		108 548	108 548
Impairment of assets		325 926	168 478
Finance costs		1 440 218	1 127 202
Tax movement		231 082	-
Net cash used in operations		(2 577 069)	(2 431 793)
Net effect of changes in working capital	23	<u>3 380 881</u>	<u>2 281 289</u>
Net cash used in operations		<u>803 812</u>	<u>(150 504)</u>
Finance costs		<u>(1 440 218)</u>	<u>(1 127 202)</u>
Net cash used in operations		<u>(636 406)</u>	<u>(1 277 706)</u>
Cash flows from investing activities			
Purchase of property, plant and equipment		(12 847)	(10 244)
Proceeds on disposal of property, plant and equipment		<u>116 630</u>	<u>105 151</u>
Net cash from investing activities		<u>103 783</u>	<u>94 907</u>
Cash flows from financing activities			
Decrease in borrowings		<u>-</u>	<u>(324 176)</u>
Net cash used in financing activities		<u>-</u>	<u>(324 176)</u>
Net change in cash and cash equivalents		(532 623)	(1 506 975)
Cash and cash equivalents at beginning of the year		<u>(1 523 365)</u>	<u>(16 390)</u>
Cash and cash equivalents at end of the year	17	<u><u>(2 055 988)</u></u>	<u><u>(1 523 365)</u></u>

Statement of accounting policies for the year ended 31 December 2018

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.

1.1 Summary of significant accounting policies

The principal accounting policies set out below have been consistently followed in all material respects and comply with International Financial Reporting Standards.

1.2 Overall considerations

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.

The financial statements of the Corporation have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB). The financial statements are based on statutory records that are maintained under the historical cost convention as modified by the revaluation of property, plant and equipment and investment property.

The significant accounting policies that have been used in the preparation of these financial statements are summarised below. 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 below:

Critical judgements and assumptions

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

1.3 Currency

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

**Statement of accounting policies
for the year ended 31 December 2018**

1.4 New Standards, amendments and interpretations to existing standards that are effective and have been adopted by the Corporation

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 2018.

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.

1.5 New Standards, amendments and interpretations to existing standards that are not yet effective and have not been adopted early by the Corporation.

IFRS 16 'Leases'

The IASB recently published IFRS 16 'Leases', completing its long-running project on lease accounting.

The new Standard requires lessees to account for leases 'on-balance sheet' by recognising a 'right-of-use' asset and a lease liability. It will affect most entities that report under IFRS and are involved in leasing, and will have a substantial impact on the financial statements of lessees of property and high-value equipment. For many other businesses, however, exemptions for short-term leases and leases of low-value assets will reduce the impact.

IFRS 16 is effective for annual periods beginning on or after 1 January 2019. Early application is permitted for entities that apply IFRS 15 Revenue from Contracts with Customers at or before the date of initial application of this Standard.

In terms of transition, IFRS 16 provides lessees with a choice between two broad methods:

Statement of accounting policies for the year ended 31 December 2018

1.5 New Standards, amendments and interpretations to existing standards that are not yet effective and have not been adopted early by the Corporation.

IFRS 16 'Leases' (continued)

- Full retrospective application - with restatement of comparative information in accordance with IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors'.
- Partial retrospective application - without restating comparatives. Under this approach the cumulative effect of initially applying IFRS 16 is recognised as an adjustment to equity at the date of initial application. If a lessee chooses this method, a number of more specific transition requirements and optional reliefs also apply.

1.6 Summary of accounting policies

These financial statements have been prepared using the significant accounting policies and measurements bases summarised below:

1.7 Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of stands the ordinary course of the Corporation's activities. Revenue is shown, net of value-added tax, estimated returns, rebates and discounts and after eliminating sales within the Corporation. Revenue is recognised as follows:

To determine whether to recognise revenue, the Corporation follows a 5-step process:

1. Identifying the contract with a customer;
2. Identifying the performance obligations;
3. Determining the transaction price;
4. Allocating the transaction price to the performance obligations; and
5. Recognising revenue when/as performance obligation(s) are satisfied.

Revenue is recognised either at a point in time or over time, when (or as) the Corporation satisfies performance obligations by transferring the promised goods or services to its customers.

The Corporation recognises contract liabilities for consideration received in respect of unsatisfied performance obligations and reports these amounts as other liabilities in the statement of financial position. Similarly, if the Corporation satisfies a performance obligation before it receives the consideration, the Group recognises either a contract asset or a receivable in its statement of financial position, depending on whether something other than the passage of time is required before the consideration is due.

1.7.1 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.

**Statement of accounting policies
for the year ended 31 December 2018****1.7.2 Management and resource depletion fees**

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

1.7.3 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.

1.7.4 Interest income

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

1.7.5 Rental income

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

1.8 Taxation

Income tax on the accounting profit or loss for the year comprises current and deferred tax. Income tax is recognised in the income statement.

1.8.1 Current tax

Current tax is the expected tax payable on the taxable income for the year, using rates enacted or substantially enacted at the statement of financial position date and any adjustments to tax payable in respect of previous years.

1.8.2 Deferred taxation

Deferred income tax is provided for, using the balance sheet approach, for all temporary differences arising between the tax bases of assets and liabilities and their carrying values for financial reporting purposes. Currently enacted tax rates are used to determine deferred tax asset or liability.

Under this method the Corporation is required to make provision for deferred income taxes on the revaluation of certain non-current and, in relation to an acquisition, on the difference between the fair values of the net assets acquired and their tax base. Provision for taxes, mainly withholding taxes, which could arise on remittance of retained earnings, principally to subsidiaries, is only made where there is a current intention to remit such earnings.

**Statement of accounting policies
for the year ended 31 December 2018 (continued)**

1.8.2 Deferred taxation (continued)

The principal temporary differences arise from depreciation on property and equipment, revaluations of certain non-current assets, provisions for pensions and other post retirement benefits and tax losses carried forward. Deferred tax assets relating to the carry forward of unused tax losses are recognised to the extent that it is probable that future taxable profit will be made against which the unused tax losses can be utilised.

1.9 Property and equipment

Property and equipment is initially recorded at cost. Land and buildings are subsequently shown at fair value, based on valuations by external independent values, less subsequent depreciation for property. All other property and equipment is stated at historical cost or valuation less accumulated depreciation.

1.9.1 Depreciation

The depreciation rate are as follows:

Asset	Rate
Buildings	40 years
Plant and machinery	10 years
Furniture and fittings	10 years
Computer and other equipment	3 years
Motor vehicles	5 years

1.9.2 Impairment

The carrying amounts of the Corporation's assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the assets' recoverable amount is estimated. An impairment loss is recognised whenever the carrying amount of an asset or its cash generating unit exceeds its recoverable amount. An impairment loss is recognised in the statement of comprehensive income.

1.9.3 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.

**Statement of accounting policies
for the year ended 31 December 2018 (continued)**

1.9.4 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.

1.9.5 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.

2 Financial instruments

2.1.1 Classification

Trading instruments

Trading instruments are those that the Corporation principally holds for the purpose of short term profit making.

Originated loans and receivables

Originated loans and receivables are loans and receivables created by the Corporation providing money to a debtor than those created with the intention of short-term profit taking. Originated loans and receivables comprise loans and advances to banks and customers other than purchased loans as well as bonds purchased at original.

Held-to-maturity assets

Financial assets with fixed or determinable payments and fixed maturity that the Corporation has the intent and ability to hold to maturity. These include certain purchased loans and advances to banks and customers and certain debt investments.

Available-for-sale assets

Financial assets that are not held for trading purposes, originated by the Corporation, or held to maturity. Available-for-sale instruments include money market placements and certain debt and equity investments.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, together with other short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value.

**Statement of accounting policies
for the year ended 31 December 2018 (continued)****2.1.2 Recognition**

The Corporation recognises financial assets held for trading and available-for-sale assets on the date it commits to purchase the assets. From this date any gains and losses arising from changes in fair value of the assets are recognised. Held-to-maturity loans and originated loans and receivables are recognised on the day they are transferred to the Corporation.

Financial instruments are ordinarily measured at cost, including transaction costs.

Subsequent to initial recognition all trading instruments and all available-for-sale assets are measured at fair value, except that any instrument that does not have a quoted market price in active market and whose fair value cannot be reliably measured is stated at cost, including transaction costs, less impairment.

All non-trading financial liabilities, originated loans and receivables and held to maturity assets are measured at amortised cost less impairment losses. Amortised cost is calculated on the basis of the effective interest rate method. Premiums and discounts, including initial transaction costs, are included in the carrying amount of the related instrument and amortised based on the effective interest rate of the instrument.

2.1.3 Fair value measurement principles

The fair value of financial instruments is based on their quoted market prices at the statement of financial position date without any deduction for transaction costs. If a quoted market price is not available, the fair value of the instrument is estimated using pricing models or discounted cash flow techniques.

Where discounted cash flow techniques are used, estimated future cash flows are based on management's best estimates and the discount rate is a market related rate at the statement of financial position date for an instrument with similar terms and conditions.

2.1.4 Gains and losses on subsequent measurement

Gains and losses arising from a change in the fair value of available-for-sale assets are recognised in other comprehensive income. When the financial assets are sold, collected or otherwise disposed of, the cumulative gain or loss recognised in equity is transferred to the income statement. Gains and losses arising from a change in the fair value of trading instruments are recognised in the income statement. Held to maturity loans and originated loans and receivables are recognised on the day they are transferred to the Corporation.

2.1.5 Derecognition

A financial asset is derecognised when the Corporation loses control over the contractual rights that comprise the asset. This occurs when the rights are realised, expire or are surrendered. A financial liability is derecognised when it is extinguished. Available-for-sale assets and assets held for trading that are sold are derecognised and corresponding receivables from the buyer for the payment are recognised as of the date the Corporation commits to sell the assets.

**Statement of accounting policies
for the year ended 31 December 2018 (continued)**

2.1.6 Derecognition (continued)

The Corporation uses the specific identification method to determine the gain or loss on derecognition. Held-to-maturity instruments and originated loans and receivables are derecognised on the day they are transferred by the Corporation.

2.1.7 Securities borrowing and lending business.

Investments lent under securities lending arrangements continue to be recognised in the statement of financial position and are measured in accordance with the accounting policy for assets held for trading or available-for-sale as appropriate. Cash collateral received in respect of securities lent is recognised as liabilities to either banks or customers. Investments borrowed under securities borrowing agreements are not recognised.

Cash collateral placements in respect of securities borrowed are recognised under loans and advances to either banks or customers. Income and expenses arising from the securities borrowing and lending business are recognised on an accrual over the period of the transactions and are included in the interest income or expense.

2.1.8 Repurchase agreements

The Corporation enters into purchases (sales) of the investments under agreements to resell (repurchase) identical investments at a certain date in the future at a fixed price. Investments purchased subject to commitments to resell them at future dates are not recognised. The amounts paid are recognised in loans to either banks or customers. The receivables are shown as collateralised by the underlying security. Investments sold under repurchase agreements continue to be recognised in the statement of financial position and are measured in accordance with the accounting policy for either assets held for trading or available-for-sale as appropriate. The proceeds from the sale of the investments are reported as liabilities to either banks or customers. The difference between the sale and repurchase considerations is recognised on an accrual basis over the period of the transaction and is included in interest.

2.1.9 Interest rate risk

The Corporation's operations are subject to the risk of interest rate fluctuations to the extent that interest-earning assets and interest bearing liabilities mature or re-price at different times or in differing amounts. Risk management activities are aimed at optimizing net interest income, given market interest rate levels consistent with the Corporation's business strategies.

2.1.10 Credit risk

The Corporation's credit exposure, at the reporting date, from financial instruments held or issued for trading purposes is represented by the fair value of instruments with a positive fair value at that date, as reported on the statement of financial position date. The credit risk on liquid funds and derivative financial instruments is limited because counterparties are banks with high credit-ratings. The Corporation has no significant concentration of credit risk, with exposure spread over a large number of counterparties.

**Statement of accounting policies
for the year ended 31 December 2018 (continued)**

2.1.11 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.

2.2 Related parties

For the purposes of these financial statements, a party is considered to be related to the Corporation if:

- 2.2.1** The party has the ability, directly or indirectly through one or more intermediaries, to control the Corporation or exercise significant influence over the Corporation in making financial and operating policy decisions, or has joint control over the Corporation;
- 2.2.2** The Corporation and the party are subject to common control;
- 2.2.3** The party is an associate of the Corporation or a joint venture in which the Corporation is a venturer;
- 2.2.4** The party is a member of key management personnel of the Corporation or the Corporation's parent, or a close family member of such an individual, or is an entity under the control, joint control or significant influence of such individuals;
- 2.2.5** The party is a close family member of a party referred to in 1.8.1 or is an entity under the control, joint control or significant influence of such individuals; or
- 2.2.6** The party is a post-employment benefit plan which is for the benefit of employees of the Corporation or of any entity that is a related party of the Corporation.
- 2.2.7** Close family members of an individual are those family members who may be expected to influence, or be influenced by, that individual in their dealings with the entity.

**Statement of accounting policies
for the year ended 31 December 2018 (continued)**

3 Employee benefits

3.1 National Social Security Authority Scheme

This scheme was promulgated under the National Social Security Act of 1989. The Corporation's obligation under the scheme is limited to specific contributions as legislated from time to time, which are presently three per cent of pensionable emoluments.

Provisions are recognised when the Corporation has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligations, and a reliable estimate of the amount of the obligations can be made.

Employee entitlements to annual leave and long service leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave and long service leave as a result of services rendered by employees up to the reporting date.

Post-employment benefits

3.1.1 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.

3.1.2 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.

**Statement of accounting policies
for the year ended 31 December 2018 (continued)**

3.1.3 Defined benefit plan (continued)

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.

3.2 Joint ventures

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

3.3 Subsidiaries

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

3.4 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.

3.4.1 Provisions

Provisions are recognised when the Corporation has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

3.4.2 Critical accounting estimates and judgments

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Accounting estimates and assumptions

The Corporation makes assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results.

The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below:

**Statement of accounting policies
for the year ended 31 December 2018 (continued)**

3.4.3 Current and deferred tax

The Corporation is subject to income tax; significant judgement is required in determining the provision. There are many transactions and calculations for which the ultimate tax determination is uncertain. The Corporation recognises liabilities for anticipated tax assessment based on estimates of whether additional taxes will be due. Where the final outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred income tax assets and liabilities in the period in which such determination is made.

Where the actual final outcome (on the judgement areas) differs from management estimates, the Corporation will need to increase the income and deferred tax liability if unfavourable or decrease the income and deferred tax liability if favourable.

**Statement of accounting policies
for the year ended 31 December 2018**

	Notes	2018 USD	2017 USD
4 Revenue			
Management and resource depletion fees		<u>514 362</u>	<u>661 580</u>
5 Other income			
Rental revenue		63 300	98 845
Scrap sales		48 681	174 458
Other		<u>338 824</u>	<u>836 409</u>
		<u>450 805</u>	<u>1 109 712</u>
6 Loss from operations			
Loss from operations for the year has been arrived at after charging the following:			
Allowance for credit losses		1 149 626	1 143 618
Amortisation of intangible assets		108 548	108 548
Audit fees		30 000	70 903
Depreciation on property, plant and equipment		41 014	77 207
Directors' remuneration	6.1	118 992	121 417
Employee benefit expense:	6.2	<u>3 274 864</u>	<u>2 494 492</u>
6.1 Directors' emoluments			
Fees		113 190	119 125
Other		<u>5 802</u>	<u>2 292</u>
		<u>118 992</u>	<u>121 417</u>
6.2 Employee benefit expense			
Contributions to Mining Industry Pension Fund		225 737	98 508
Contributions to National Social Security Authority		53 970	37 868
Salaries and allowances		<u>2 995 157</u>	<u>2 358 116</u>
		<u>3 274 864</u>	<u>2 494 492</u>
7 Net finance costs			
Finance income		4 953	6 308
Finance costs	7.1	<u>(1 440 218)</u>	<u>(1 133 510)</u>
		<u>(1 435 265)</u>	<u>(1 127 202)</u>

**Statement of accounting policies
for the year ended 31 December 2018 (continued)**

	2018 USD	2017 USD
8 Taxation		
8.1 Income tax		
Current tax	-	-
Deferred tax	<u>181 051</u>	<u>(342 660)</u>
	<u>181 051</u>	<u>(342 660)</u>
8.2 Tax reconciliation:		
Loss before tax	<u>(4 608 538)</u>	<u>(3 844 850)</u>
Notional tax thereon at a rate of 25.75%	<u>(1 186 699)</u>	<u>(990 049)</u>
Tax effect of:		
Non deductible/taxable items	(171 078)	1 215 449
Non taxable items	2 547	(568 060)
Unrecognised prior year provisions	<u>1 536 280</u>	<u>-</u>
	<u>181 051</u>	<u>(342 660)</u>

Statement of accounting policies
for the year ended 31 December 2018 (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 equipment USD	Office equipment USD	Work in progress USD	Total USD
Year ended 31 December 2017											
Opening 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
Additions	-	1 041	-	261	-	-	4 400	4 487	59	-	10 244
Disposals: Cost	-	-	-	-	(87 266)	-	(13 411)	(4 478)	-	-	(105 151)
Accumulated depreciation	-	-	-	-	51 341	-	12 563	4 474	-	-	68 378
Depreciation charge	-	(29 095)	(2 902)	(2 041)	(30 979)	(3 196)	(2 637)	(2 749)	(3 608)	-	(77 207)
Closing carrying amount	309 000	401 733	-	1 932	11 228	15 174	6 158	3 324	2 373	325 926	1 076 847
As at 31 December 2017											
Gross carrying amount-cost	309 000	16 682 053	45 472	32 401	287 215	147 847	3 955 642	19 942	79 457	325 926	21 884 954
Accumulated depreciation	-	(16 280 320)	(45 472)	(30 469)	(275 987)	(132 673)	(3 949 484)	(16 618)	(77 084)	-	(20 808 107)
Carrying amount at the end of the year	309 000	401 733	-	1 932	11 228	15 174	6 158	3 324	2 373	325 926	1 076 847
Year ended 31 December 2018											
Opening carrying amount	309 000	401 733	-	1 932	11 228	15 174	6 158	3 324	2 373	325 926	1 076 848
Additions	-	-	-	-	-	-	12 847	-	-	-	12 847
Disposals: Cost	-	-	-	-	(81 789)	(30 776)	(3 466)	-	(599)	-	(116 630)
Accumulated depreciation	-	-	-	-	81 409	29 970	3 341	-	599	-	115 319
Impairment	-	-	-	-	-	-	-	-	-	(325 926)	(325 926)
Depreciation charge	-	(29 095)	-	(1 397)	-	(3 196)	(3 526)	(2 243)	(1 557)	-	(41 014)
Closing carrying amount	309 000	372 638	-	536	10 848	11 172	15 354	1 081	816	-	721 444
As at 31 December 2018											
Gross carrying amount-cost	309 000	16 682 053	45 472	32 401	205 425	117 071	3 965 023	19 942	78 858	325 926	21 781 172
Accumulated depreciation	-	(16 309 415)	(45 472)	(31 865)	(194 578)	(105 899)	(3 949 669)	(18 861)	(78 042)	(325 926)	(21 059 728)
Carrying amount at the end of the year	309 000	372 638	-	536	10 848	11 172	15 354	1 081	816	-	721 444

**Statement of accounting policies
for the year ended 31 December 2018 (continued)**

	Amount USD
10 Intangible assets	
Gross carrying amount	
Balance at 1 January 2018	497 510
Additions	<u>-</u>
Balance at 31 December 2018	<u><u>497 510</u></u>
Amortisation and impairment	
Balance at 1 January 2018	497 510
Amortisation	<u>(108 548)</u>
Balance at 31 December 2018	<u><u>388 962</u></u>
Gross carrying amount	
Balance at 1 January 2017	606 058
Additions	<u>-</u>
Balance at 31 December 2017	<u><u>606 058</u></u>
Amortisation and impairment	
Balance at 1 January 2017	606 058
Amortisation	<u>(108 548)</u>
Balance at 31 December 2017	<u><u>497 510</u></u>

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 2018 (continued)**

	2018 USD	2017 USD
11 Investment in subsidiaries		
Sandawana Mines (Private) Limited	-	2 969 986
Jena Mines (Private) Limited	-	2 170 900
Kimberworth Investments (Private) Limited	-	2 330 984
Marange Resources (Private) Limited	-	10
Shabani and Mashava Mines (Private) Limited	-	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)
	<u>4</u>	<u>4</u>
12 Investment in joint ventures		
Zimbabwe German Graphite Mine (Private) Limited	<u>474 103</u>	<u>474 103</u>
13 Long term receivables		
Staff housing and other loans	<u>72 552</u>	<u>223 875</u>
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.		
14 Inventories		
Consumables	10 817	12 005
Diamonds	<u>5 696</u>	<u>5 696</u>
	<u>16 513</u>	<u>17 701</u>
15 Trade and other receivables		
Trade receivables, gross	635 952	127 462
Other	<u>648 326</u>	<u>1 039 455</u>
Allowance for credit losses	1 284 278	1 166 917
Bad debts	(1 149 626)	(1 143 618)
	<u>(83 968)</u>	<u>-</u>
	<u>50 684</u>	<u>23 299</u>

**Notes to the financial statements
for the year ended 31 December 2018 (continued)**

	2018 USD	2017 USD
15 Trade and other receivables		
The movement in the allowance for credit losses can be reconciled as follows:		
Balance 1 January 2018	1 143 618	-
Increase in allowance for credit losses	<u>6 008</u>	<u>1 143 618</u>
Balance 31 December 2018	<u><u>1 149 626</u></u>	<u><u>1 143 618</u></u>

The carrying amount of receivables approximates their fair value.

16 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
Mining Promotion Corporation (Private) Limited	Associate
Zimbabwe German Graphite Mines (Private) Limited	Wholly owned subsidiary
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
Protea Court (Private) Limited	Wholly owned subsidiary
ZMDC Pension Fund	Wholly owned subsidiary
Wambao Zimbabwe Mining	Joint Venture
Zimbao Mining Ventures (Private) Limited	Joint Venture
Rushchrome Mining (Private) Limited	Joint Venture
Russzim Mining	Joint Venture
Star Mining Resources Private Limited	Joint Venture
Shengxin Mazowe Mining Company	Joint Venture
Mint Minerals (Private) Limited T/A Zimari Nickel	Joint Venture
Maflox Mining (Private) Limited T/A Zimari Platinum	Joint Venture

**Notes to the financial statements
for the year ended 31 December 2018 (continued)**

16 Related party transactions and balances (continued)

Related party	Nature of relationship
Global Platinum Resources	Joint Venture
Todal Mining (Private) Limited	Joint Venture
Afri Sino Resources (Private) Limited	Joint Venture
Northridge Platinum	Joint Venture
Great Dyke Investments	Joint Venture
Rera Diamonds (Private) Limited	Joint venture
Global Platinum Resources (Private) Limited	Associate
Mr. L. Akino	Key management
Mr. J. Maiwasha	Key management
Mr. T. Chiparo	Key management
Mr. G. Chimhina	Key management
Mr. L. Gondo	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:

16.1 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 (Private) Limited	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 2018 (continued)**

	2018 USD	2017 USD
16 Related party transactions and balances (continued)		
16.2 Related party receivables		
Marange Resources (Private) Limited	9 578 614	9 818 681
Mbada Diamonds (Private) Limited	7 148 435	7 148 435
Elvington Mine (Private) Limited	6 546 571	6 529 411
Jena Mines (Private) Limited	9 358 314	10 084 523
Protea Court (Private) Limited	108 261	44 210
Kimberworth Investments (Private) Limited	10 820 368	10 820 218
Sandawana Mines (Private) Limited	7 415 172	7 415 870
Zimbabwe German Graphite Mines (Private) Limited	105 243	101 366
Kusena Diamonds (Private) Limited	5 276 549	5 270 541
Shabani and Mashava Mines (Private) Limited	16 812 611	16 812 611
Oldstone (Private) Limited	700 000	700 000
Anjin Investments (Private) Limited	675 896	675 896
Mining Promotion Corporation (Private) Limited	2 079 000	2 079 000
Golden Kopje (Private) Limited	19 987	19 987
Diamond Mining Corporation (Private) Limited	22 177	22 177
Jinan (Private) Limited	42 995	42 995
Anmack (Private) Limited	16 128	34 143
Bubi	3 842 698	-
Glassfinish (Private) Limited	40 000 000	40 000 000
	<u>120 569 019</u>	<u>117 620 064</u>
Allowance for credit losses	<u>(116 601 932)</u>	<u>(117 436 668)</u>
	<u>3 967 087</u>	<u>183 396</u>

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 834 736 was included in profit and loss as a decrease in the allowance relating to credit losses.

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

Balance 1 January	117 436 668	116 281 484
(Decrease)/Increase in allowance for credit losses	<u>(834 736)</u>	<u>1 155 184</u>
Balance 31 December	<u>116 601 932</u>	<u>117 436 668</u>

**Notes to the financial statements
for the year ended 31 December 2018 (continued)**

	2018 USD	2017 USD
16 Related party transactions and balances (continued)		
16.3 Related party payables		
ZMDC Pension fund	-	1 028
Kamativi (Private) Limited	-	800
Zimbabwe Consolidated Diamond Company	-	236 899
Diamond Mining Corporation (Private) Limited	9 565 700	9 565 700
	<u>9 565 700</u>	<u>9 565 700</u>
	<u>9 565 700</u>	<u>9 804 427</u>
16.4 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:		
Short-term employee benefits:		
Salaries	418 017	280 089
Other benefits and allowances	416 334	164 733
	<u>834 351</u>	<u>444 822</u>
	<u>834 351</u>	<u>444 822</u>
17 Cash and cash equivalents		
For purposes of the statement of cash flows, cash and cash equivalents include cash on hand and in banks 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:		
Cash on hand	1 485	538
Cash at bank	3 840	37 529
	<u>5 325</u>	<u>38 067</u>
Bank overdraft	(2 061 313)	(1 561 432)
	<u>(2 055 988)</u>	<u>(1 523 365)</u>
	<u>(2 055 988)</u>	<u>(1 523 365)</u>

Notes to the financial statements
for the year ended 31 December 2017 (continued)

17 Cash and cash equivalents (continued)	2018 USD	2017 USD
17.1 Bank overdraft		
FBC Bank Limited	2 061 313	1 559 195
CBZ Bank Limited	<u>-</u>	<u>2 237</u>
	<u>2 061 313</u>	<u>1 561 432</u>

Bank overdraft relates to the following secured

FBC Bank Limited

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

18 Share capital

Authorised share capital

180 000 000 ordinary shares of ZWD 1 each

- -

Issued

44 000 000 ordinary shares of ZWD 1 each

- -

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

19 Deferred tax

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

Opening balance at 1 January		(30 068 022)	(30 092 684)
Movement through other comprehensive income		231 083	367 322
Movement through profit or loss	8.1	<u>(181 051)</u>	<u>(342 660)</u>
Closing balance at 31 December		<u>(30 017 990)</u>	<u>(30 068 022)</u>

**Notes to the financial statements
for the year ended 31 December 2018 (continued)**

	Notes	2018 USD	2017 USD
19 Deferred tax			
Deferred tax is arising from temporary differences			
Opening balance at 1 January		(30 068 022)	(30 092 684)
Movement through other comprehensive income		231 083	367 322
Movement through profit or loss	8.1	<u>(181 051)</u>	<u>(342 660)</u>
Closing balance at 31 December		<u><u>(30 017 990)</u></u>	<u><u>(30 068 022)</u></u>

Reconciliation 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 comprehensiv e income USD	Recognised in profit or loss USD	Total USD
Balance at 1 January 2017	(87)	(30 092 597)	(30 092 684)
Accelerated wear and tear	-	(21 269)	(21 269)
Armotisation	-	(27 951)	(27 951)
Allowance for credit losses	-	(293 440)	(293 440)
Post employment benefit	367 322	-	367 322
Balance at 31 December 2017	<u>367 235</u>	<u>(30 435 257)</u>	<u>(30 068 022)</u>
Balance at 1 January 2018	367 235	(30 435 257)	(30 068 022)
Armotisation	-	47 814	47 814
Fair value adjustment on investments	-	(27 951)	(27 951)
Allowance for credit losses	-	30 169	30 169
Balance at 31 December 2018	<u>367 235</u>	<u>(30 385 225)</u>	<u>(30 017 990)</u>

**Notes to the financial statements
for the year ended 31 December 2018 (continued)**

	2018 USD	2017 USD
20 Retirement benefits		
20.1 ZMDC Pension Fund		
<p>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.</p>		
<p>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 30 September 2017 for the whole Group fund revealed that the fund was adequately funded:</p>		
<p>The principal actuarial assumptions used in the report were as follows:</p>		
Valuation rate of interest:		
In preretirement period	8% per annum	
In post retirement period	7% per annum	
Rate of salary escalation	6% per annum	
<p>Contributions during the year were as follows:</p>		
<p>Post employment benefit liability</p>		
Present value of obligation	5 178 248	5 178 248
Fair value of plan assets	<u>(3 411 390)</u>	<u>(3 411 390)</u>
	<u>1 766 858</u>	<u>1 766 858</u>
<p>Reconciliation of defined benefit obligation</p>		
Opening balance	6 707 699	6 707 699
Movement	<u>(1 529 451)</u>	<u>(1 529 451)</u>
	-	-
Closing balance	<u>5 178 248</u>	<u>5 178 248</u>
<p>Reconciliation of defined benefit assets</p>		
Movement	<u>-</u>	<u>(102 959)</u>
Closing balance	<u>3 411 390</u>	<u>3 411 390</u>

**Notes to the financial statements
for the year ended 31 December 2018 (continued)**

	2018 USD	2017 USD
20 Retirement benefits (Continued)		
20.1 ZMDC Pension Fund (Continued)		
Plan assets comprise		
Bonds	100 000	100 000
Ordinary shares	376 833	376 833
Fixed property	1 574 000	1 574 000
Old Mutual Flex Fund	1 536 004	1 536 004
Cash on short notice	200 401	200 401
Net current and other assets	<u>(375 848)</u>	<u>(375 848)</u>
	<u>3 411 390</u>	<u>3 411 390</u>
22 Trade and other payables		
Trade	2 183 562	1 964 860
Other	<u>35 728 059</u>	<u>36 387 418</u>
	<u>37 911 621</u>	<u>38 352 278</u>
21 Short term loans		
CBZ Bank Limited	9 116 819	8 269 703
FPR	3 871 714	-
ZCDC	1 000 000	-
RBZ	<u>2 000 000</u>	<u>-</u>
	<u>15 988 533</u>	<u>8 269 703</u>

21.1 The short term loans relate to the following facilities:

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.

FPR

The loan facility with FPR was granted on 15 July 2018 and accrues an interest of 10% per annum and is repayable over 3 years. The purpose of the loan is to assist artisanal miners to increase gold output. The loan will be repaid through gold deposits to FPR from Bubi Milling Centre.

ZCDC

The loan facility was granted to ZMDC by a subsidiary ZCDC. The purpose of the loan was to fund the Corporation's working capital. The interest rate for the loan was 10% and there is no tenure of the loan in the loan agreement.

RBZ

The loan was Granted to ZMDC in July 2012, for the purchase of SMM Holdings (UK). There is no interest and repayment period for the loan in the loan agreement.

**Notes to the financial statements
for the year ended 31 December 2018 (continued)**

	2018 USD	2017 USD
23 Net effect of changes in working capital		
Decrease in inventories	1 188	205
Increase in trade and other receivables	(27 385)	(15 613)
Increase in related party receivables	(3 783 691)	681 941
Increase in trade and other payables	(440 657)	1 482 585
Decrease in related party payables	(238 727)	238 727
Decrease in long term receivables	151 323	236 104
Increase in long term payables	7 718 830	(342 660)
	<u>3 380 881</u>	<u>2 281 289</u>
24 Post employment benefits		
24.1 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.		
Contributions for the year	<u>225 737</u>	<u>202 691</u>
24.2 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.		
Contributions for the year	<u>53 970</u>	<u>69 806</u>
24 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.

**Notes to the financial statements
for the year ended 31 December 2018 (continued)**

24 Financial Instruments - Risk Management (continued)

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.

24.1 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 15.

24.2 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 2018, 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.

**Notes to the financial statements
for the year ended 31 December 2018 (continued)**

2018 **2017**
USD **USD**

25 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.

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

Share capital	-	-
Non distributable reserve	12 941 231	12 941 231
Accumulated losses	<u>(49 384 587)</u>	<u>(44 957 100)</u>
	<u>(36 443 356)</u>	<u>(32 015 869)</u>

26 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.

**Notes to the financial statements
for the year ended 31 December 2018 (continued)**

26 Contingent liabilities (continued)

Legal cases

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 egos or instrumentalities of the government of Zimbabwe and therefore liable for an arbitration award of USD 40 million plus interest in favor of Funnekotter and others which the Corporation 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' favor 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:

Zimbabwe Revenue Authority	22 670 915	27 053 423
Mining Industry Pension Fund	1 235 641	1 283 964
National Social Security Authority	474 692	494 763
Zimbabwe Manpower Development Fund	221 363	210 511
	<u>24 602 611</u>	<u>29 042 661</u>

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

**Notes to the financial statements
for the year ended 31 December 2018 (continued)**

27 Going concern

The Directors have assessed the ability of the Corporation to continue operating as a going concern, and based on the Corporation'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 66 351 553 as at 31 December 2018; (2017: USD62 589 372). The accumulated loss for the year ended 31 December 2018 was USD 4 608 583 (2017:USD 3 844 850).

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 2018 is as follows:

Cases for which judgment has been passed against the corporation	-	-
Cases pending judgment at the courts	<u>121 599 125</u>	<u>121 771 697</u>
Total value of litigation cases	<u><u>121 599 125</u></u>	<u><u>121 771 697</u></u>

28 Operating environment

In 2017, the economic environment had started to show signs of distortions where a 'multi-tiered' pricing regime was creeping into the economy in which similar goods and services were being priced differently depending on the mode of payment, whether USD cash, electronic payment, mobile money or bond notes and coins.

The 2018 operating environment was characterised by significant monetary and fiscal policy reforms that commenced in October 2018.

Distortions in the foreign exchange market negatively affected the economic environment resulting in the proliferation of the 'multi-tiered' pricing where settlement of transactions was depending on the mode of payment, whether USD cash, electronic payment, mobile money or bond notes and coins.

During the year, the Corporation predominantly transacted in RTGS FCA (electronic payments), including mobile money, bond notes and coins.

**Notes to the financial statements
for the year ended 31 December 2018 (continued)**

29 Events after the reporting period

On 20 February 2019, the Reserve Bank of Zimbabwe (RBZ) Governor announced a new Monetary Policy Statement whose highlights were as follows:

- 29.1 The denomination of RTGS balances, bond notes and coins collectively as RTGS dollars "RTGS \$" and subsequent inclusion of RTGS dollars as part of the multi-currency system.
- 29.2 RTGS dollars to be used by all entities (including government) and individuals in Zimbabwe for purposes of pricing goods and services, record debts, accounting and settlement of domestic transactions.
- 29.3 The establishment of an inter-bank foreign exchange market where the exchange rate would be determined by market forces.

On 22 February 2019, Statutory Instrument 33 of 2019 was issued. The statutory instrument prescribed the accounting for RTGS balances and bond notes, and USD transactions as well as the related conversions. It also gave effect to the introduction of the RTGS dollar as legal tender. In terms of this statutory instrument, "for accounting and other purposes" certain assets and liabilities on the effective date would be deemed to be RTGS dollars at a rate of 1:1 to the USD and would become opening RTGS dollar values from the effective date. Following this, the Directors adopted the RTGS dollar as its functional and reporting currency with effect from 22 February 2019.

Adjusting event

The announcement of the Monetary Policy Statement on 20 February 2019 and the subsequent issuance of 'SI 33/2019' on 22 February 2019 were considered by management to be adjusting events after the reporting period, which, in terms of IAS 10 - Events after the reporting period, would require adjustments to the financial statements. However, 'SI 33/2019' prescribed specific accounting treatment for assets and liabilities which were not consistent with International Financial Reporting Standards (IFRSs), in particular IAS 21 - Effects of Changes in Foreign Exchange Rates.

In the light of the lack of consistency between the requirements of IFRSs and 'SI 33/2019', management were guided by 'SI 41/2019' which states that in the case of any inconsistency between a local pronouncement issued by the Board through a notice in the Government Gazette and any international standard, the local pronouncement shall take precedence to the extent of the inconsistency. Management have therefore prepared these financial statements in USD and applied a rate of 1:1 between USD transactions and balances and RTGS FCA balances and transactions.

Notes to the financial statements
for the year ended 31 December 2018 (continued)

29 Events after the reporting period (continued)

A sensitivity analysis for events after the reporting period for the financial year ended 31 December 2018 is shown below:

Element	COMPONENTS OF REPORTED AMOUNTS				SENSITIVITY ANALYSIS			
	Monetary Assets/ Liabilities Nostro FCA USD	Monetary Assets/ Liabilities Nostro FCA RTGS \$	Non-monetary Assets/ Liabilities Nostro FCA USD	Total translated at a rate of US\$1:RTGS\$1	Total RTGS \$ translated at a rate of US\$1:RTGS\$2.5	Total RTGS \$ translated at a rate of US\$1:RTGS\$3.5	Total RTGS \$ translated at a rate of US\$1:RTGS\$4	
ASSETS								
Property, plant and equipment	-	-	721 444	721 444	721 444	721 444	721 444	
Intangible assets	-	-	388 962	388 962	388 962	388 962	388 962	
Investment in subsidiaries	-	-	4	4	4	4	4	
Investment in joint ventures	-	-	474 103	474 103	474 103	474 103	474 103	
Deferred Tax	-	-	30 017 990	30 017 990	30 017 990	30 017 990	30 017 990	
Staff debtors	-	-	72 552	72 552	72 552	72 552	72 552	
Inventories	-	-	16 513	16 513	16 513	16 513	16 513	
Trade and other receivables	-	50 684	-	50 684	50 684	50 684	50 684	
Related party receivables	-	3 967 087	-	3 967 087	3 967 087	3 967 087	3 967 087	
Cash and cash equivalents	-	5 325	-	5 325	5 325	5 325	5 325	
Total assets		4 023 096	31 691 568	35 714 664	35 714 664	35 714 664	35 714 664	
EQUITY AND LIABILITIES								
SHAROLDERS' EQUITY								
Non distributable reserve	-	12 941 231	-	12 941 231	12 941 231	12 941 231	12 941 231	
Retained earnings	-	(49 384 587)	-	(49 384 587)	(49 384 587)	(49 384 587)	(49 384 587)	
Foreign currency translation reserve - balancing figure	-	-	-	-	-	-	-	
Total shareholders' equity		(36 443 356)	-	(36 443 356)	(36 443 356)	(36 443 356)	(36 443 356)	
LIABILITIES								
Post employment benefit liability	-	1 766 858	1 766 858	1 766 858	1 766 858	1 766 858	1 766 858	
Bank overdraft	-	2 061 313	2 061 313	2 061 313	2 061 313	2 061 313	2 061 313	
Short-term loans	-	15 988 533	15 988 533	15 988 533	15 988 533	15 988 533	15 988 533	
Trade and other payables	-	37 911 621	37 911 621	37 911 621	37 911 621	37 911 621	37 911 621	
Current income tax payable	-	4 863 995	4 863 995	4 863 995	4 863 995	4 863 995	4 863 995	
Related Party Payable	-	9 565 700	9 565 700	9 565 700	9 565 700	9 565 700	9 565 700	
Total liabilities		72 158 020	72 158 020	72 158 020	72 158 020	72 158 020	72 158 020	
Total equity and liabilities		35 714 664	72 158 020	35 714 664	35 714 664	35 714 664	35 714 664	

Key assumptions

1. All monetary assets will be recovered at the face value as reported in the financial statements.
2. All monetary liabilities will be settled at the face value as reported in the financial statements.
3. All items of Property and equipment will be realised at the values reported in the financial statements and no impairment is expected as a result of the currency reforms.
4. The Company held its bank and cash in RTGS\$.
5. The Monetary Assets and Liabilities were all denoted in RTGS\$ and will be recovered and settled in the same currency.