

## **CHINHOYI UNIVERSITY OF TECHNOLOGY**

### **BUSINESS:**

Chinhoyi University of Technology was established by an Act of Parliament, Chinhoyi University of Technology Act (Chapter 25:23) on 10 August 2001. The University's principal activities include the advancement of knowledge, the diffusion and extension of arts, science and learning, the preservation, dissemination and enhancement of knowledge that is relevant for the development of the people of Zimbabwe through teaching and research and, so far as is consistent with those objectives, the nurturing of the intellectual, aesthetic, social and moral growth of the students at the University.

The University also runs the Chinhoyi University of Technology Hotel and the Chinhoyi University of Technology Farm under the School of Hospitality and Tourism and the School of Agricultural Sciences and Technology, respectively.

### **COUNCILLORS**

Ms T Chirau (Chairperson)	Mr G Gore	Mr C Mugaga
Prof D J Simbi (Vice Chancellor)	Mr S Dadi	Mrs. T Mutaviri
Prof Z Muranda (Pro Vice Chancellor)	Mr B Mukwende	Eng E Mukahadira
Prof J Nyamangara (Pro Vice Chancellor)	Mr W Mutikani	Mr I Kwesu
Dr T.B Bhebhe (Secretary)	Mr M.D.S Kaitano	Dr G Nehanda
Eng P Mazwazwa	Mr D Utete	Mr L Chasakara
Mr H Matemera	Dr H Z Marowa	Mrs M Mbira-Harry
Mrs LE Murefu	Ms D Atukwa	Mr M Mutsvairo
Mrs P T Kavayi	Mr K Shamuyarira	Dr T D Mutungamiri
Mr B K Chafesuka	Dr T Muzuva	

### **BURSAR:**

Dr O Sifile

### **OFFICE:**

78 off Harare Chirundu Road  
P Bag 7724  
**CHINHOYI**

### **AUDITORS**

AMG Global Chartered Accountants (Zimbabwe)  
3 Elcombe Avenue, Belgravia  
**HARARE**

### **MAIN BANKERS**

CBZ Bank Limited	ZB Bank Corporation
10 Magamba Way	47 Magamba Way
P.O Box 500	P.O Box 399
<b>CHINHOYI</b>	<b>CHINHOYI</b>

### **ATTORNEYS**

Ziumbe and Mutambanengwe Legal Practitioners  
18 Fletcher Road  
Mount Pleasant  
P.O Box MP 1194  
**HARARE**

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## **COUNCIL'S RESPONSIBILITY STATEMENT**

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Council is required by the Chinhoyi University of Technology Act (Chapter 25:23) to maintain adequate accounting records and is responsible for the content and integrity of the financial statements and related financial information included in this report. It is their responsibility to ensure that the financial statements fairly present the state of affairs of the University as at the end of the financial year and the results of its operations and cash flows for the year then ended, in conformity with International Financial Reporting Standards. The external auditors are engaged to express an independent opinion on the financial statements.

Council acknowledges that it is ultimately responsible for the system of internal financial control established by the University and places considerable importance on maintaining a strong control environment. To enable it to meet these responsibilities, Council sets standards for internal control aimed at reducing the risk of error or loss in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the University and all employees are required to maintain the highest ethical standards in ensuring the University's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the University is on identifying, assessing, managing and monitoring all known forms of risk across the University. While operating risk cannot be fully eliminated, the University endeavours to minimize it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

Council is of the opinion, based on the information and explanations given by management that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or loss.

The Council acknowledges that they are responsible for the other information in the Annual Report. The other information includes the Audit Committee's report. Other information does not include the financial statements and the auditor's report.

The external auditors are responsible for independently auditing and reporting on the University's financial statements. The financial statements and related notes have been examined by the University's external auditors and their report is presented on pages 2 to 6.

These financial statements were prepared under the supervision of Dr O. Sifile, PHD in Accounting and an Associate of the Institute of Chartered Secretaries and Administrators of Zimbabwe.

These financial statements and the related notes set out on pages 7 to 34, which have been prepared on the going concern basis, were approved by Council and were signed on its behalf by:

..... (Council Chairman)

..... (Vice Chancellor)

**11 June 2019**

## **REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF CHINHOYI UNIVERSITY OF TECHNOLOGY**

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### **Adverse Opinion**

We have audited the amalgamated financial statements of Chinhoyi University of Technology (“the University”), set out on pages 7 to 34, and comprising the following:

- The statement of financial position as at 31 December 2018;
- The statement of profit or loss and other comprehensive income, the statement of changes in equity, and the statement of cash flows for the year ended 31 December 2018;
- A summary of the significant accounting policies applied by the University during the year ended 31 December 2018; and
- Related financial statements notes.

In our opinion, because of the significance of the matter discussed in the Basis for Adverse Opinion section of our report, the amalgamated financial statements are not properly drawn up in conformity with International Financial Reporting Standards (“IFRS”) and, do not give a true and fair view of the financial position of the University as at 31 December 2018, and of its financial performance and its cash flows, for the year then ended.

### **Basis for Adverse Opinion**

There was no official/legal local currency in Zimbabwe during the 2018 financial year. The United States dollar was deemed by the Council to be the functional and presentation currencies of the University.

During the year under review, there was evidence of a three tier pricing system in Zimbabwe, namely for the US\$ dollar, for the funds in the electronic transfer system (“RTGS”) and the bond notes. Furthermore, there was a differential between the pricing of goods and services depending on the mode of settlement, albeit through the RTGS system, with bond notes or US dollars. However, the existence of the three tier pricing system and the difference in the pricing of similar goods and services suggests that in substance the values were not equal.

According to the Reserve Bank of Zimbabwe (“RBZ”) Act, the balances between the Bond note, RTGS System and the US\$ notes were legally exchangeable at 1:1 during the year ended 31 December 2018. However, there was constrained exchangeability (i.e., the University was not readily able to exchange currencies through a legal exchange mechanism within a relatively short period of time) of the RTGS balances with foreign currencies in Zimbabwe as there was no legal foreign exchange mechanism.

On 1 October 2018, the 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. During the year ended 31 December 2018, the University predominantly transacted using RTGS FCA (i.e. electronic payments, mobile money, bond notes and coins).

Following the announcement of the Country’s Monetary Policy Statement (“MPS”) on 20 February 2019 by the RBZ bond notes and coins were immediately denominated as “RTGS dollars” which came in as a new currency in the multi-currency system of the economy. To support pronouncements made in the MPS, the Government of Zimbabwe issued Statutory Instrument No 33 of 2019 (“SI 33/2019”) which states 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 dollar at a rate of one to one 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.

In compliance with SI 33/2019, the University 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. 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.

According to the conceptual framework for financial reporting, financial reports represent economic phenomena in words and numbers. To be useful, financial information must not only represent relevant phenomena, but it must also faithfully represent the substance of the phenomena that it purports to represent. In many circumstances, the substance of an economic phenomenon and its legal form are the same. If they are not the same, providing information only about the legal form would not faithfully represent the economic phenomenon. [March 2018 Conceptual Framework paragraph 2.12].

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 University in accordance with the ethical requirements of the Institute of Chartered Accountants of Zimbabwe (“ICAZ”) Code of Professional Conduct, which is consistent with the International Ethics Standards Board for Accountants’ Code of Ethics for Professional Accountants (“IESBA Code”), and have fulfilled our other responsibilities under those ethical requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our adverse opinion.

### **Events after the reporting period**

As disclosed in *note 23* of these financial statements, subsequent to year end, on 20 February 2019, the Reserve Bank of Zimbabwe issued a Monetary Policy Statement in which the bond notes and coins were redenominated as RTGS Dollars. At the same time, the RBZ established an interbank foreign exchange market in Zimbabwe to formalize the exchange of RTGS Dollars with United States Dollars. The opening exchange rate for the United States Dollar to the RTGS Dollar as at 23 February 2019 was 1:2.5.

### **Going Concern**

The University’s amalgamated financial statements have been prepared using the going concern basis of accounting. The use of this basis of accounting is appropriate unless the Council either intends to liquidate the University or to cease operations, or has no realistic alternative but to do so. As part of our audit of the financial statements, we have concluded that the Council’s use of the going concern basis of accounting in the preparation of the University’s financial statements is appropriate.

The Council have not identified a material uncertainty that may cast significant doubt on the University’s ability to continue as a going concern, and accordingly none is disclosed in the financial statements.

Based on our audit of the amalgamated financial statements, we also have not identified such a material uncertainty. However, neither the Council nor the auditor can guarantee the University’s ability to continue as a going concern.

### **Key audit matters**

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements for the current period. Key audit matters are selected from the matters communicated with the Council, but are not intended to represent all matters that were discussed with them.

Our audit procedures relating to these matters were designed in the context of our audit of the amalgamated financial statements as a whole and we do not provide a separate opinion on these matters. We have determined the matters described below to be the key audit matters to be communicated in our report.

Key audit matter	How our audit addressed the key audit matter
<b><i>Valuation and existence of property plant and equipment (“PPE”)</i></b>	
<p>PPE is the most significant line item on the statement of financial position as it constitutes 91% of the University’s total assets. As at 31 December 2018 the carrying amount of PPE was \$41 788 287 (2017: \$40 263 714). The determination of useful lives, residual values and impairment losses are significant estimates in nature.</p> <p>The materiality of PPE resulted in us considering this to be a key audit matter.</p>	<p>Our audit approach was focused on verifying the existence and valuation of PPE through the following procedures, amongst others:</p> <ul style="list-style-type: none"> <li>• We reviewed the opening balances of assets and verified whether they were accurately brought forward from prior year;</li> <li>• We vouched significant additions to supporting documents;</li> <li>• We reviewed and considered the appropriateness of depreciation rates and residual values;</li> <li>• We independently recalculated the depreciation charges during the year;</li> <li>• We physically verified the existence of assets on a sample basis, by tracing them from the floor to the registers and vice versa;</li> <li>• We also reviewed the legal ownership of fixed property and motor vehicles;</li> <li>• We verified all disposals against supporting documents and reviewed the PPE registers to confirm accuracy of derecognition;</li> <li>• We reviewed management’s assessment of impairment as at 31 December 2018; and</li> <li>• We verified the disclosures relating to PE presented per note 1 in the annual financial statements.</li> </ul> <p>We were satisfied with the results of our audit procedures and the disclosures made in the financial statement notes.</p>
<b><i>Valuation of trade and other receivables</i></b>	
<p>The University’s gross trade and other receivables amounted to \$3 134 608 (2017: \$2 291 438) at year end. An allowance for credit losses of \$2 010 186 (2017: \$1 815 284) was provided for at year end.</p> <p>The Zimbabwean economy is currently facing liquidity challenges and the recoverability of trade and other receivables could be doubtful. The valuation of trade and other receivables was therefore considered a key audit matter.</p>	<p>We focused our attention on assessing the recoverability of trade and other receivable and our procedures included the following:</p> <ul style="list-style-type: none"> <li>• We circularized staff debtors balances and government grants receivable as at 31 December 2018;</li> <li>• We reviewed and considered the appropriateness of the policies and internal controls designed within the cycles giving rise to the trade and other receivables balances;</li> <li>• We performed tests of details on students receivable transactions during the year;</li> <li>• We assessed the adequacy and appropriateness of the University’s policies and procedures on providing for credit losses and writing off bad debts;</li> <li>• We assessed the adequacy of the allowance for credit losses;</li> <li>• We assessed the valuation of long outstanding and past due receivables; and</li> <li>• We assessed the trade and other debtors performance</li> </ul>

Key audit matter	How our audit addressed the key audit matter
	<p>post year end and up to the date of our report.</p> <p>We were satisfied with the results of our audit procedures and the disclosures made in the financial statement notes.</p>
<b>Validity, accuracy and completeness of staff costs</b>	
<p>The University's financial statements included staff costs amounting to \$21 613 419 (2017: \$19 232 771) for the year ended 31 December 2018, which constitutes 73% (2017:74%) of the University's total expenditure.</p> <p>Accordingly, the validity, accuracy and completeness of staff costs was assessed to be a key audit matter.</p>	<p>Our approach focused on assessing the validity, accuracy and completeness of staff costs and our procedures included the following:</p> <ul style="list-style-type: none"> <li>• We obtained an understanding of the human resources cycle as well as the internal controls in place;</li> <li>• We performed test of controls for key controls noted relating to the recruitment system, termination system, leave system as well as the payroll system;</li> <li>• We performed analytical reviews for month by month staff costs;</li> <li>• We ascertained that salaries and benefits paid to employees were as per approved scale from the University's parent Ministry as well as the staff's employment contracts; and</li> <li>• We verified the processing of all the journal entries posted in the University's accounting records.</li> </ul> <p>We were satisfied with the results of our procedures and the disclosures made in the financial statement notes.</p>

### **Council's responsibility for the Financial Statements**

The Council of the University is responsible for the preparation and fair presentation of these financial statements in accordance with IFRS and the presentation and disclosure requirements of the Chinhoyi University of Technology (Chapter 25:23) as well as for such internal control the Council determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error. The Council is responsible for overseeing the University'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 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 risk 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 controls 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 University's internal controls;
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Council; and
- 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.

We are required to communicate with the Council 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 are also required to provide the Council 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.

### **Report on Other Legal and Regulatory Requirements**

In our opinion, the amalgamated financial statements have been properly drawn up so as to comply, in all material respects, with the disclosure and presentation requirements of the Chinhoyi University of Technology Act (Chapter 25:23).

The engagement partner on the audit resulting in this independent auditor's report is Tariro Mhuka (PAAB No. 0423).

**AMG Global  
Harare**

**11 June 2019**

# CHINHOYI UNIVERSITY OF TECHNOLOGY

## AMALGAMATED STATEMENT OF FINANCIAL POSITION as at 31 December 2018

	Note	2018 \$	2017 \$
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	1	41 788 287	40 436 714
Biological assets	2	129 750	100 246
Investments	3	35 000	35 000
		<u>41 953 037</u>	<u>40 571 960</u>
<b>Current assets</b>			
Inventories	4	574 980	406 936
Trade and other receivables	5	1 124 422	476 154
Bank and cash balances	6	2 365 346	1 962 012
		<u>4 064 748</u>	<u>2 845 102</u>
<b>Total assets</b>		<u><u>46 017 785</u></u>	<u><u>43 417 062</u></u>
<b>RESERVES AND LIABILITIES</b>			
<b>Reserves</b>			
Accumulated surplus		32 673 720	32 777 916
Specific funds	7	217 600	249 578
		<u>32 891 320</u>	<u>33 027 494</u>
<b>Non-current liabilities</b>			
Deferred revenue	8	8 077 787	5 205 105
<b>Current liabilities</b>			
Trade and other payables	9	5 048 678	5 184 463
<b>Total liabilities</b>		<u>13 126 465</u>	<u>10 389 568</u>
<b>Total reserves and liabilities</b>		<u><u>46 017 785</u></u>	<u><u>43 417 062</u></u>

.....	}
<b>Council Chairman</b>	
.....	
<b>Vice-Chancellor</b>	}
.....	
<b>Bursar</b>	

**11 June 2019**



**CHINHOYI UNIVERSITY OF TECHNOLOGY**

**AMALGAMATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**  
**year ended 31 December 2018**

	<b>Note</b>	<b>2018</b> <b>\$</b>	<b>2017</b> <b>\$</b>
<b>INCOME</b>			
Student fees	10	11 365 301	10 054 683
Grants from the Government of Zimbabwe	11	19 334 010	18 566 840
Hotel trading income (net)	12	160 847	120 351
Farm Trading Income (net)	13	(52 810)	-
Other income	14	1 026 679	882 141
		<u>31 834 027</u>	<u>29 624 015</u>
<b>EXPENDITURE</b>			
Staff costs	15	21 613 419	19 232 771
Operating expenses	16	7 788 389	6 451 344
Allowances for credit losses		167 614	99 565
Expenditure grants	17	125 860	103 422
		<u>29 695 282</u>	<u>25 887 102</u>
Surplus for the year before depreciation charge		<u>2 138 745</u>	<u>3 736 913</u>
Depreciation charge for the year	1	(2 242 941)	(1 854 219)
(Deficit)/surplus for the year		<u>(104 196)</u>	<u>1 882 694</u>
<b>Other comprehensive income</b>		-	-
Total comprehensive (loss)/income for the year		<u>(104 196)</u>	<u>1 882 694</u>

# CHINHOYI UNIVERSITY OF TECHNOLOGY

## AMALGAMATED STATEMENT OF CHANGES IN RESERVES year ended 31 December 2018

	Specific funds \$	Revaluation reserve \$	Non distributable reserves \$	Accumulated fund \$	Total \$
Balances as at 31 December 2016	257 381	-	-	30 895 222	31 152 603
Total comprehensive income for the period	-	-	-	1 882 694	1 882 694
Receipts	264 932	-	-	-	264 932
Payments	(272 735)	-	-	-	(272 735)
Balances as at 31 December 2017	249 578	-	-	32 777 916	33 027 494
Total comprehensive loss for the period	-	-	-	(104 196)	(104 196)
Receipts	334 627	-	-	-	334 627
Payments	(366 605)	-	-	-	(366 605)
Balances as at 31 December 2018	217 600	-	-	32 673 720	32 891 320

**CHINHOYI UNIVERSITY OF TECHNOLOGY**

**AMALGAMATED STATEMENT OF CASH FLOWS**  
**year ended 31 December 2018**

	Note	2018 \$	2017 \$
<b>NET CASH FLOWS FROM OPERATING ACTIVITIES</b>			
<b>Operating cash flows</b>			
(Deficit)/surplus for the year		(104 196)	1 882 694
Adjustments for:			
Depreciation		2 242 941	1 854 219
Fair value adjustment to biological assets		(58 502)	21 033
Impairment loss on equipment		15 266	-
Loss on disposal of equipment		-	69 111
Loss on equipment write off		(12 594)	3 861
Scrapped equipment		6 938	-
Interest received		(33 715)	(28 861)
Amortised deferred revenue		(111 493)	(90 345)
Births of biological assets		(13 420)	(7 049)
Deaths of biological assets		9 318	2 779
Net operating cash flows before working capital changes		1 940 543	3 707 442
<b>Working capital changes</b>			
(Increase)/decrease in inventories		(168 044)	13 854
(Increase)/decrease in trade and other receivables		(648 268)	299 458
Decrease in accounts payable		(135 785)	(1 002 106)
Net cash flows from operations		988 446	3 018 648
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchase of property, plant and equipment		(3 604 124)	(2 965 311)
Proceeds from disposal of assets		-	79 707
Finance income		33 715	28 861
Additions to biological assets		(7 500)	(46 224)
Disposal of biological assets		40 600	23 421
Net cash flows from investing activities		(3 537 309)	(2 879 546)
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>			
Repayment of long term loan		-	-
Decrease in specific funds		(31 978)	(7 803)
Capital grants received		2 984 175	1 015 034
Net cash flows from financing activities		2 952 197	1 007 231
<b>INCREASE IN CASH AND CASH EQUIVALENTS</b>		403 334	1 146 333
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR</b>		1 962 012	815 679
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR</b>		2 365 346	1 962 012

## **CHINHOYI UNIVERSITY OF TECHNOLOGY**

### **ACCOUNTING POLICIES TO THE AMALGAMATED FINANCIAL STATEMENTS**

**31 December 2018**

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#### **INCORPORATION AND ACTIVITIES**

Chinhoyi University of Technology's principal activities include the advancement of knowledge, the diffusion and extension of arts, science and learning, the preservation, dissemination and enhancement of knowledge that is relevant for the development of the people of Zimbabwe through teaching and research and, so far as is consistent with those objectives, the nurturing of the intellectual, aesthetic, social and moral growth of the students at the University.

Chinhoyi University of Technology Hotel ("the Hotel") operates under the School of Hospitality and Tourism of Chinhoyi University of Technology. The purpose of the Hotel is to advance the provision of knowledge through hands on experience to students in the School of Hospitality and Tourism. It derives its revenue from offering accommodation and venues for business and social meetings.

Chinhoyi University of Technology Farm ("the Farm") operates under the School of Agricultural Sciences and Technology of Chinhoyi University of Technology. The purpose of the Farm is to advance the vision of the nation regarding food Security. Farm revenue is derived from the sale of a variety of horticulture products, cash crops and animal husbandry. The CUT Farm is a strategic business unit of the Chinhoyi University of Technology.

#### **BASIS OF PREPARATION**

The principal accounting policies adopted in the preparation of financial statements are set out below. The policies have been consistently applied to all the years presented, unless otherwise stated.

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

The preparation of the financial statements in compliance with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise judgment in applying the University's accounting policies. The areas where significant judgments and estimates have been made in preparing the financial statements and their effect are disclosed.

#### **FUNCTIONAL AND PRESENTATION CURRENCY**

The University's functional and presentation currency is the United States dollars ("US\$"). The following considerations were made in determining the University's functional currency.

#### **FUNCTIONAL CURRENCY ASSESSMENT**

##### **2018 financial year assessment**

In assessing the functional currency, the University used guidance from IAS 21 which has primary and secondary factors in assessing functional currency. These are:

- The currency that mainly influences sales prices for goods and services;
- The currency of the competitive forces and regulations that mainly determine the sales prices of goods and services;
- The currency that mainly influences labour, material and other costs of providing goods or services;
- The currency in which funds from financing activities are generated; and
- The currency in which receipts from operating activities are usually retained.

The University assessed its functional currency for the year ended 31 December 2018 using IAS 21 primary and secondary indicators stated above.

- The University concluded that income was determined and settled in RTGS dollars;

## CHINHOYI UNIVERSITY OF TECHNOLOGY

### ACCOUNTING POLICIES TO THE AMALGAMATED FINANCIAL STATEMENTS

31 December 2018

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- Net receipts from operations were largely retained in RTGS dollars;
- A significant proportion of the University's assets and deposits were predominantly denominated in RTGS dollars.

The University also considered the following factors:

- (i) Separation of Nostro and RTGS balances
  - The separation of these balance was effective from 1 October 2018, which meant that customers who had RTGS balances would not ordinarily be able to access foreign cash with effect from 1 October 2018, implying that the two were now different currencies.
- (ii) Substance over form of RTGS transactions
  - Although the RTGS was a mode of settlement and not legally recognized as a currency the University considered the substance of the transactions done in RTGS, taking into account the significant disparity between the market perception of the relative value between the United States Dollar (\$) and the RTGS dollar and concluded that the economic substance of these transactions over their legal form was that RTGS was a currency.

Based on the above considerations the University concluded that its functional currency had changed from United States Dollars (\$) to RTGS dollars from 1 October 2018. However, as at 31 December 2018 the RTGS dollar had not been promulgated legally as a currency, the University adopted the United States Dollar (\$) as its functional currency. Statutory instrument (S.I) 33 commissioned the RTGS dollar as a currency from 22 February 2019 and prescribed that all RTGS assets and liabilities before 22 February 2019 must be valued at 1:1 to the United States dollar (\$) on and after 22 February 2019. Therefore, the University is using United States Dollars (\$) as the functional and presentation currency. Assets and liabilities were converted to the United States Dollars (\$) as at 31 December 2018 for reporting of the official exchange rate of 1:1 to comply with local and regulations.

#### **Statutory instrument (S.I.) 33 of 2019 and IAS21 requirements**

Following the monetary policy on the 20<sup>th</sup> of February 2019, Statutory Instrument (S.I.) 33 of 2019 was issued effective 22 February 2019 which introduced RTGS dollar as a currency and specified that all RTGS assets and liabilities which were effectively valued in United States Dollars (\$) before the effective date shall be converted at 1:1 on and after the effective date.

IAS 21:23 and 39 requires that assets and liabilities in foreign currency be converted at the closing market rate to the local currency/reporting currency and income and expense items be converted at the rate of the transaction date.

IAS 21:26 also requires that if exchangeability between two currencies is temporarily lacking, the rate used to convert balances is the first subsequent rate at which exchanges could be made.

#### **Non-compliance with IAS 21**

(S.I.) 33 prescribed that RTGS assets and liabilities in United States Dollars (\$) before 22 February 2019 be converted at 1:1 hence the University applied this legal requirement when converting balances at year end to comply with local laws and regulations. As a result, the University could not apply the requirements of IAS21 described above which required a market exchange rate to be applied when converting balances into the reporting currency or use of first subsequent rate when exchange rate is temporarily lacking. Refer to **Appendix I** for the disclosure of the impact assessment of exchange rates to the balance sheet.

### **Determination of the functional currency**

The acute shortage of cash and foreign currency in the country saw the emergence of different modes of payment for goods and services such as settlement via Real Time Gross Settlement (RTGS), Point of sale (POS) and mobile money. In addition:

- Products and services were being priced differently during the year depending on the mode of payment with the actual USD (cash) being the cheapest alternative and RTGS the most expensive;
- The significant unavailability of the USD in cash and in nostro accounts made processing of payments to foreign suppliers and creditors extremely difficult for businesses during the year;
- New legislation in the form of Statutory Instruments 133 of 2016 and 122a of 2017 which prescribed bond notes and coins as currency was promulgated.

As a result of these and other factors management had to make an assessment of whether the use of the United States dollar as the University's functional currency was still appropriate. In doing this management considered the following factors:

- The currency that mainly influences sales prices for goods and services;
- The currency of the competitive forces and regulations that mainly determine the sales prices of goods and services;
- The currency that mainly influences labour, material and other costs of providing goods or services;
- The currency in which funds from financing activities are generated; and
- The currency in which receipts from operating activities are usually retained.

The United States dollar remained the primary driver for most of the factors above. Therefore, management concluded that it is still the University's functional currency.

### **ADOPTION OF NEW AND REVISED STANDARDS**

#### **Standards issued but not yet effective as at the reporting date**

The standards listed below were issued but not yet effective as at reporting date of the University's financial statements but the University reasonably expects them to be applicable at a future date and, as such, intends to adopt them when they become effective.

The University expects that the adoption of these standards in most cases will not have a significant impact on the University's financial position and performance in the period of initial application but additional disclosures will be required. The impact of these standards on the University's financial statements on adoption in future is not known and cannot be reasonably estimated as of now.

#### *IFRS 16 Leases*

The standard was issued in January 2016 and is effective for annual periods beginning on or after 1 January 2019. IFRS 16 supersedes IAS 17. The standard establishes principles for the recognition, measurement, presentation and disclosure of leases for both lessees and lessors. The standard provides a single lessee accounting model, requiring lessees to recognise assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with IFRS 16's approach to lessor accounting substantially unchanged from its predecessor, IAS 17. Earlier application of this standard is permitted.

#### **Standards effective from 1 January 2018**

The University has adopted the following standards and amendments for the first time in their annual reporting period commencing 1 January 2018:

*IFRS 9 Financial Instruments*

The standard was issued in July 2014 and is effective for annual periods beginning on or after 1 January 2018. IFRS 9 supersedes IAS 39. The objective of this standard is to establish principles for the financial reporting of financial instruments that will present relevant and useful information to users of financial statements for their assessment of amounts, timing and uncertainty of the entity's future cash flows. The standard was adopted in 2018.

*IFRS 15 Revenue from Contracts with Customers*

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

IFRS 15 requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers.

*IFRIC 22 Foreign Currency Transactions and Advance Considerations*

Clarifies the accounting for transactions that include the receipt or payment of advance consideration in a foreign currency. The Interpretation covers foreign currency transactions when an entity recognises a non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration before the entity recognises the related asset, expense or income. The interpretation is applicable for financial periods beginning on or after 1 January 2018.

The adoption of these amendments did not have any material impact on the current period and is not likely to affect future periods.

## **REVENUE RECOGNITION**

Revenue represents amounts receivable in the ordinary course of business from the provision of education services, hire of halls of residence and grants received from the Government. The steps applied in recognising revenue are as follows: (a) Identify the contract(s) with a customer, (b) Identify the performance obligations in the contract, (c) Determine the transaction price, (d) Allocate the transaction price to the performance obligations in the contract, and (e) Recognise revenue when the entity satisfies a performance obligation. When a performance obligation is satisfied, the University recognise as revenue the amount of the transaction price that is allocated to that performance obligation

### **Government grants related to income**

Government grants intended for recurrent expenditure are recognized as income in the statement of profit or loss and other comprehensive income in the period in which they are received.

### **Government grants related to assets**

Grants that are intended for capital expenditure are recognized as deferred income. Deferred income is amortised through the statement of profit or loss and other comprehensive income over the useful lives of the assets financed by the grants.

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#### **Other grants**

Grants and donations other than from Government are accounted for on a receipt basis under Specific Funds.

#### **Student fees income**

The student fees income is accounted for on an accrual basis and it is recognised when the amount can be measured reliably and it is probable that the University will receive any consideration. Student fees are recorded as income in the period to which they relate. Deposits received in advance from students are recognised as income upon registration in the period they relate to.

#### **Rental income**

Rental income is accounted for on an accrual basis.

#### **Halls of residence**

Revenue from halls of residence is recognised on accrual basis, when a customer has entered into a contract with the University.

#### **Interest income**

Interest income is recognised on a time proportion basis taking into account the principal outstanding and effective rate over the period to maturity.

### **BIOLOGICAL ASSETS**

Biological assets relate to livestock and crops. Livestock comprises cattle, sheep, goats and pigs. Livestock is valued at its fair value. Crops are recognized up to the point of harvest, at cost incurred to produce the crop. After harvest, crops are accounted for as inventories. Gains or losses on revaluation are included in profit or loss for the period in which they arise.

### **PROPERTY AND EQUIPMENT (“PE”)**

#### **Recognition**

Items of PE are recognised as an asset when:

- It is probable that future economic benefits associated with the item will flow to the entity; and
- The cost of the item can be measured reliably.

#### **Measurement**

Property and equipment is 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. The corresponding liability is recognised within provisions.

Property and equipment is subsequently carried at fair value, based on periodic valuations by a professionally qualified valuer. These revaluations are made with sufficient regularity to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period. Changes in fair value are recognised in other comprehensive income and accumulated in the revaluation reserve



except to the extent that any decrease in value in excess of the credit balance on the revaluation reserve, or reversal of such a transaction, is recognised in profit or loss.

### ***Depreciation***

Land is not depreciated. Depreciation on assets under construction does not commence until they are complete and available for use. Depreciation is provided on all other items of property and equipment so as to write off their carrying value over their expected useful economic lives. It is provided at the following rates:

Computer equipment	4 years
Motor vehicles	5 years
Furniture and fittings	10 years
General equipment	10 years
Kitchen equipment	10 years
Buildings	40 years

At the date of revaluation, the accumulated depreciation on the asset is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. The excess depreciation on revalued property and equipment, over the amount that would have been charged on a historical cost basis, is transferred from the revaluation reserve to retained earnings when the property and equipment are expensed through the statement of profit or loss and other comprehensive income (e.g. depreciation, impairment). On disposal of the asset the balance of the revaluation reserve is transferred to retained earnings.

### ***Impairment***

The carrying amounts of the University's assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the assets' recoverable amounts are estimated. An impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount. Impairment losses are recognised in the statement of comprehensive income.

### ***Calculation of recoverable amount***

The recoverable amount of items of property and equipment is the greater of the net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risk specific to the asset.

### ***Reversal of impairment***

Any impairment losses previously recognised are reversed if there has been a change in the estimates used to determine the recoverable amount. The increased carrying amount of an asset due to a reversal of an impairment loss should not exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years.

### ***De-recognition of PE***

PE is de-recognised when the asset is disposed of or retired from use and/or when no future economic benefits are expected from its use or disposal. The gain or loss on disposal is included in the profit or loss in the period the PE item is de-recognised.

## **INVESTMENTS IN SUBSIDIARIES**

Investments in subsidiaries, joint ventures and associated companies are carried at cost less accumulated impairment losses in the University's statement of financial position. On disposal of investments in subsidiaries, joint ventures and associated companies, the difference between disposal proceeds and the carrying amounts of the investments are recognised in profit or loss.

## **INVENTORIES**

### **Canteen stocks**

Canteen stocks are stated at the lower of cost and net realisable value. Cost is determined using the First-In-First-Out cost method. Net realisable value is the value in use of the inventories.

### **Stationery and other consumables**

Stationery and other consumables are measured on the First-In-First-Out basis less any inventory write downs. Cost comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

## **EMPLOYEE RETIREMENT BENEFITS**

Contributions to defined contribution pension schemes are charged to the statement of profit or loss and other comprehensive income in the year to which they relate.

## **CASH AND CASH EQUIVALENTS**

Cash and cash equivalents include cash on hand, deposits held on call with banks, 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.

## **FINANCIAL INSTRUMENTS**

### **Recognition**

Financial assets and financial liabilities are recognised in the University's statement of financial position when the University becomes a party to the contractual provisions of the financial instrument.

### **Measurement**

Financial instruments are initially measured at fair value, which includes transactions costs and recognized in the financial statements when the University becomes part to the contractual provisions of the instrument. Subsequent to initial recognition of these instruments, they are measured as set out below:

### **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. They are initially recognised 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 provision for impairment.

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#### **Derecognition 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 University has also transferred substantially all risks and rewards of ownership. Gains and losses are recognised in the statement of profit or loss and other comprehensive income when the financial assets are derecognized or impaired, as well as through the amortisation process.

#### **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.

#### **Financial liabilities**

The University classifies its financial liabilities into one of two categories, depending on the purpose for which the liability was acquired.

#### ***Fair value through profit or loss***

This category comprises financial liabilities that are carried in the statement of financial position at fair value with changes in fair value recognised in the statement of profit or loss and other comprehensive income.

#### ***Other financial liabilities***

Other financial liabilities include trade payables and other short-term monetary liabilities, which are initially recognised at fair value and subsequently carried at amortised cost using the effective interest method.

### **CONTINGENT LIABILITIES AND CONTINGENT ASSETS**

Contingent liabilities are potential obligations that arise from past events and whose existence will only be confirmed by the occurrence of one or more uncertain future events that, however, are beyond the control of the University. Furthermore, present obligations may constitute contingent liabilities if it is not probable that an outflow of resources will be required to settle the obligation, or a sufficiently reliable estimate of the amount of the obligation cannot be made.

Provision for this litigation would be made at such a time as an unfavourable outcome becomes probable and the amount reasonably estimated.

Contingent assets are possible assets whose existence will only be confirmed by future events not wholly within the control of the University and are not recognised as assets until the realisation of income is virtually certain.

### **SPECIFIC FUNDS**

Specific funds represent funds provided to the University by various people and organisations for specific purposes. In order to ensure observance of limitations and restrictions placed on the use of resources, the specific funds are maintained in accordance with the principles of fund accounting. Revenue received for these items and disbursements to authorised recipients are recognised directly into reserves.

## **CHINHOYI UNIVERSITY OF TECHNOLOGY**

### **ACCOUNTING POLICIES TO THE AMALGAMATED FINANCIAL STATEMENTS**

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#### **FOREIGN CURRENCIES**

Monetary assets and liabilities as at year end are translated into United States Dollars currency at rates of exchange ruling at the year-end. Transactions during the year are converted at the rates of exchange ruling at the dates of the transactions. Exchange rate differences arising on the translation of monetary assets and liabilities are included in the statement of comprehensive income.

#### **BORROWING COSTS**

Borrowing costs are expensed in the year in which they are incurred.

#### **PROVISIONS**

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

#### **TAXATION**

The University is exempt from corporate tax as provided for in Section 14 and the Third Schedule of the Income Tax Act (Chapter 23:06).

#### **SIGNIFICANT JUDGEMENTS IN APPLYING THE UNIVERSITY'S ACCOUNTING POLICIES**

In preparing the financial statements, management is required to make estimates and assumptions that affect the amounts presented in the financial statements and related disclosures. Use of available information and the application of judgment is inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the financial statements. Significant judgments include:

##### **(a) Impairment of trade receivables**

The University assesses its trade receivables for impairment at each statement of financial position date. In determining whether an impairment loss should be recorded in the statement of profit or loss and other comprehensive income, the University makes judgments as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset.

##### **(b) Impairment testing of property and equipment**

The University reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable.

##### **(c) Residual values and useful lives**

The University is required to assess residual values and the remaining useful lives of its property and equipment on an annual basis. This affects the amount of depreciation that is recognized in the statement of profit or loss and other comprehensive income. Management assessed residual values at nil for all assets as it intends to use the assets until the end of their economic useful lives.

##### **(d) Valuation of property and equipment**

The University obtains valuations performed by external valuers in order to determine the fair value of its property and equipment. These valuations are made with reference to market evidence of transaction prices for similar properties. The assets have a restricted use and do not have a ready market. In that regard, the derived

revalued carrying amount cannot always be substantiated by comparison with independent markets and, in many cases, may not be capable of being realised immediately. The lack of comparable market transactions has resulted in a greater level of professional judgement being relied upon in arriving at valuations. Changes in the underlying assumptions could have a significant impact on the fair values presented.

**(e) Going concern assessment**

The University assesses its going concern at each reporting date. Going concern assessment is an area involving management judgment requiring assessment as to whether the carrying amount of the assets can be supported by the net present value of future cash flows derived from such assets using cash flow projections which have been discounted at an appropriate rate.

CHINHOYI UNIVERSITY OF TECHNOLOGY

NOTES TO THE AMALGAMATED FINANCIAL STATEMENTS

1 PROPERTY AND EQUIPMENT

	Land and Buildings \$	PSIP work in progress \$	Motor vehicles \$	Furniture and fittings \$	Computer equipment \$	Teaching and general equipment \$	Total \$
<b>1.1 COST</b>							
As at 31 December 2016	38 617 265	8 383 121	3 087 102	2 071 470	1 818 336	2 436 786	56 414 080
Additions	700 862	1 112 185	439 664	160 692	271 233	280 675	2 965 311
Disposals	-	-	(323 708)	-	(685 744)	-	(1 009 452)
Disposals	(4 050)	-	-	-	-	-	(4 050)
At 31 December 2017	39 314 077	9 495 306	3 203 058	2 232 162	1 403 825	2 717 461	58 365 889
Additions	115 584	1 751 922	892 327	299 576	365 523	179 192	3 604 124
Transfers	9 007 109	(9 007 109)	-	-	-	-	-
Write offs	(4 240)	-	-	(2)	354	(784)	(4 672)
Impairment	-	-	(231 744)	-	-	-	(231 744)
Scrapped	-	-	(24 483)	-	-	-	(24 483)
At 31 December 2018	48 432 530	2 240 119	3 839 158	2 531 736	1 769 702	2 895 869	61 709 114
<b>1.2 DEPRECIATION</b>							
As at 31 December 2016	11 596 559	-	1 950 306	1 173 040	1 471 643	744 231	16 935 779
Charge for the year	958 581	-	280 028	213 972	152 622	249 016	1 854 219
Disposals	-	-	(174 601)	-	(686 033)	-	(860 634)
Write off	(189)	-	-	-	-	-	(189)
At 31 December 2017	12 554 951	-	2 055 733	1 387 012	938 232	993 247	17 929 175
Charge for the year	978 427	-	499 769	172 883	245 898	345 964	2 242 941
Write offs	-	-	-	(14 978)	45	(2 333)	(17 266)
Impairment	-	-	(216 478)	-	-	-	(216 478)
Scrapped	-	-	(17 545)	-	-	-	(17 545)
As at 31 December 2018	13 533 378	-	2 321 479	1 544 917	1 184 175	1 336 878	19 920 827
<b>1.3 NET BOOK VALUES</b>							
As at 31 December 2018	34 899 152	2 240 119	1 517 679	986 819	585 527	1 558 991	41 788 287
As at 31 December 2017	26 759 126	9 495 306	1 147 325	845 150	465 593	1 724 214	40 436 714
As at 31 December 2016	27 020 706	8 383 121	1 136 796	898 430	346 693	1 692 555	39 478 301

**CHINHOYI UNIVERSITY OF TECHNOLOGY**

**NOTES TO THE AMALGAMATED FINANCIAL STATEMENTS**  
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**2 BIOLOGICAL ASSETS**

	<b>Cattle US\$</b>	<b>Pigs US\$</b>	<b>Goats US\$</b>	<b>Sheep US\$</b>	<b>Chicken US\$</b>	<b>Broilers US\$</b>	<b>Total US\$</b>
<b>2.1 Cost/valuation</b>							
<b>At 31 December 2016</b>	52 000	39 101	2 210	755	140	-	94 206
Births	1 200	5 500	180	70	99	-	7 049
Additions	46 224	-	-	-	-	-	46 224
Deaths	(900)	(1 650)	(100)	(65)	(64)	-	(2 779)
Disposals	(1 800)	(21 140)	(320)	(95)	(66)	-	(23 421)
Fair value adjustments	(8 424)	(12 351)	(535)	(85)	362	-	(21 033)
<b>As at 31 December 2017</b>	88 300	9 460	1 435	580	471	-	100 246
Births	6 400	5 950	765	210	95	-	13 420
Additions	7 500	-	-	-	-	-	7 500
Deaths	(5 300)	(3 475)	(235)	(85)	(223)	-	(9 318)
Disposals	(23 800)	(14 490)	(1 120)	(200)	(990)	-	(40 600)
Fair value adjustments	34 800	15 145	1 175	1 270	1 436	4 676	58 502
<b>As at 31 December 2018</b>	107 900	12 590	2 020	1 775	789	4 676	129 750

**CHINHOYI UNIVERSITY OF TECHNOLOGY**

**NOTES TO THE AMALGAMATED FINANCIAL STATEMENTS**  
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**2 BIOLOGICAL ASSETS (Continued)**

	<b>Cattle</b>	<b>Pigs</b>	<b>Goats</b>	<b>Sheep</b>	<b>Chicken</b>	<b>Broilers</b>	<b>Total</b>
<b>2.2 Physical quantities</b>							
<b>At 31 December 2016</b>	95	173	84	17	69	-	438
Births	8	268	34	8	142	-	460
Additions	129	-	-	-	-	-	129
Deaths	(6)	(44)	(17)	(3)	(36)	-	(106)
Disposals	(5)	(293)	(18)	(2)	(8)	-	(326)
<b>At 31 December 2017</b>	221	104	83	20	167	-	595
Births	32	161	51	14	79	-	337
Additions	5	-	-	-	-	-	5
Deaths	(35)	(33)	(14)	(6)	(48)	-	(136)
Disposals	(73)	(141)	(30)	(2)	(98)	-	(344)
Broilers reared	-	-	-	-	-	668	668
<b>At 31 December 2018</b>	150	91	90	26	100	668	1 125



# CHINHOYI UNIVERSITY OF TECHNOLOGY

## NOTES TO THE AMALGAMATED FINANCIAL STATEMENTS 31 December 2018

		2018 \$	2017 \$
<b>3</b>	<b>INVESTMENTS</b>		
<b>3.1</b>	<b>Analysis</b>		
	Investment in CUTEC Microfinance	35 000	35 000
3.2	The investment is stated at cost less impairment losses.		
<b>4</b>	<b>INVENTORIES</b>		
	Bar consumables	3 592	7 758
	Building material, fuel and vehicle spares	183 373	130 713
	Canteen stocks	25 593	14 036
	Farm consumables	13 036	44 500
	Medical supplies	10 015	12 690
	Promotional material	8 090	18 570
	Stationery	117 355	54 728
	Teaching material	66 424	59 766
	Tuck shop stores	14 590	19 415
	Printing press consumables	7 508	2 450
	Hotel consumables	76 396	42 310
	Farm Consumables	49 008	-
		574 980	406 936
<b>5</b>	<b>TRADE AND OTHER RECEIVABLES</b>		
<b>5.1</b>	<b>Analysis</b>		
	Student balances	2 115 482	1 468 906
	Staff debtors	73 373	101 308
	Hotel trade debtors	237 457	189 281
	Farm trade debtors	13 521	-
	Other debtors	476 449	376 843
		2 916 282	2 136 338
	Allowance for credit losses - university balances	(1 956 211)	(1 788 597)
	Allowance for credit loss - hotel trade debtors	(53 975)	(26 687)
		906 096	321 054
	Prepayments	218 326	155 100
	Total trade and other receivables	1 124 422	476 154
5.2	The carrying value of the trade and other receivables classified as loans and receivables approximates fair value.		

# CHINHOYI UNIVERSITY OF TECHNOLOGY

## NOTES TO THE AMALGAMATED FINANCIAL STATEMENTS

31 December 2018

	2018 \$	2017 \$
5.3	Movements on the University's allowance for credit losses is as follows:	
Balance at the beginning of the year	1 788 597	1 689 032
Increase during the year	167 614	99 565
Balance at the end of the year	<u>1 956 211</u>	<u>1 788 597</u>
5.4	Other classes of financial assets included within trade and other receivables do not contain impaired assets.	
<b>6</b>	<b>CASH AND CASH EQUIVALENTS</b>	
<b>6.1</b>	<b>Analysis</b>	
University bank balances	2 013 608	1 663 661
Specific funds bank balances (note 7)	227 016	274 181
Short term investments (note 6.2)	121 447	-
Cash on hand	3 275	24 170
	<u>2 365 346</u>	<u>1 962 012</u>
6.2	This represents a fixed deposit with a local financial institution earning interest at an interest rate of 3% per annum. The fixed deposit matured on 11 January 2019.	
6.3	Included in cash and cash equivalents are balances with banks. These balances are used for transacting on a daily basis. In 2016 the central bank, through Exchange Control Operational Guide 8 (ECOGAD8), introduced a prioritisation criterion which has to be followed when making foreign payments. Any foreign payments which are made from the bank balances above are ranked based on the central bank's prioritisation criteria and paid subject to the University's bankers having adequate funds with their foreign correspondent banks. In terms of the Directive, most of the University's foreign payments are categorized in Priority Three (Low).	
	Included in cash and cash equivalents are bond notes and coins which are bearer instruments that are pegged at 1:1 with the United States Dollar ("USD"). USD and bond notes and coins transactions are maintained in the same bank account.	

# CHINHOYI UNIVERSITY OF TECHNOLOGY

## NOTES TO THE AMALGAMATED FINANCIAL STATEMENTS

31 December 2018

### 7 SPECIFIC FUNDS

	Opening Balance US\$	Receipts US\$	Payments US\$	Closing Balance US\$
Amaranth	170	-	-	170
Albertine Rift Conservation Society (ARCOS)	(11)	-	-	(11)
International Plant Nutrition	4 175	2 900	(3 526)	3 549
World Wide Fund	1 440	-	(1 500)	(60)
RDCIF - Grant	8 386	149 750	(217 429)	(59 293)
UNESCO ICH	10 466	51 917	(17 418)	44 965
Oxfam UK	12	-	-	12
ZERA	8 176	8 431	(13 869)	2 738
ZIAF Goethe	11 991	-	(7 365)	4 626
Science Initiative Group (SIG)	452	-	-	452
British Ecological Society	(7)	-	-	(7)
Old Mutual Sport	10 000	-	-	10 000
World Fish	3 370	-	(5 158)	(1 788)
Insects	-	43 468	(26 993)	16 475
Chaplain's Hardship Fund	486	-	-	486
SADCC	5 419	-	-	5 419
FRACTAL	305	21 064	(16 194)	5 175
Goat Pellet	17 805	-	(5 887)	11 918
UNESCO HP Project Phase 1	1 386	879	-	2 265
UNESCO HP Project Phase 2	1 049	-	-	1 049
International Foundation for Science	223	-	-	223
International Foundation for Science (Dr Siziba)	2 638	-	(551)	2 087
Iclei	-	14 106	(7 800)	6 306
Water Research Commission	93 688	-	(4 453)	89 235
International Foundation for Science (IFS)	4 568	-	(245)	4 323
Circle	853	3 500	(670)	3 683
Mineral Block Lick	32 803	26 454	(29 172)	30 085
START	8 943	10 232	(7 099)	12 076
CODESRIA (Council for the development of Science Research in Africa)	625	-	-	625
German Academic Exchange Programme	2 819	-	-	2 819
Vice Chancellor's Hardship Fund	17 223	-	-	17 223
EDULINK II	(236)	1 926	(1 276)	414
Zimdef Traser Studies	361	-	-	361
	<u>249 578</u>	<u>334 627</u>	<u>(366 605)</u>	<u>217 600</u>

#### Represented by:

Cash and bank balances (note 6.1)	274 181	227 016
Less University funds in Specific Funds Bank Account	(24 603)	(9 416)
	<u>249 578</u>	<u>217 600</u>

CHINHOYI UNIVERSITY OF TECHNOLOGY

NOTES TO THE AMALGAMATED FINANCIAL STATEMENTS

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		2018 US\$	2017 US\$
<b>8</b>	<b>DEFERRED REVENUE</b>		
<b>8.1</b>	<b>Analysis</b>		
	Balance at the beginning of the year	5 205 105	4 280 416
	Received from Government of Zimbabwe during the year	1 184 175	1 015 034
	Received from Zimbabwe Manpower Development Fund (ZIMDEF)		
	Innovation hub	1 800 000	-
	Amortised to statement of profit or loss (note 11)	(111 493)	(90 345)
	Balance at the end of the year	8 077 787	5 205 105
<b>8.2</b>	The capital grant account was created so as to recognize the value of the cumulative grant receipt from central government. The capital grant is used for capital expenditure, construction of the first phase of Engineering Complex, the students' canteen and repairs and maintenance of buildings. Upon completion of the projects or realization of the asset, the grants are amortized to statement of comprehensive income over the estimated useful lives of the assets.		
		2018 \$	2017 \$
<b>9</b>	<b>TRADE AND OTHER PAYABLES</b>		
	Trade	2 122 579	1 023 456
	Other	297 334	2 440 554
	Leave pay and other provisions	2 628 765	1 720 453
		5 048 678	5 184 463
<b>10</b>	<b>STUDENT FEES</b>		
	<b>Tuition fees</b>		
	Conventional programmes	5 803 801	5 481 355
	Block release programmes	173 587	148 272
	Post graduate students	1 119 057	882 073
	<b>Other fees</b>		
	Exam, registration and levies	2 738 034	2 381 623
	Halls of residence	716 793	720 259
	Development and laboratory levies	544 600	242 710
	Application fees	125 909	73 194
	Deferment and supplementary exams	65 420	66 205
	Graduation fees	78 100	58 992
		11 365 301	10 054 683

**CHINHOYI UNIVERSITY OF TECHNOLOGY**
**NOTES TO THE AMALGAMATED FINANCIAL STATEMENTS**  
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		<b>2018</b>	<b>2017</b>
		<b>\$</b>	<b>\$</b>
<b>11</b>	<b>GRANTS - GOVERNMENT OF ZIMBABWE</b>		
	Salaries	19 132 517	18 431 495
	Recurrent expenditure	90 000	45 000
	Realisation of deferred revenue (Note 8)	111 493	90 345
		<u>19 334 010</u>	<u>18 566 840</u>
<b>12</b>	<b>HOTEL TRADING ACCOUNT</b>		
	Revenue	1 640 361	1 370 629
	Other income	45 185	32 790
	Cost of sales	(399 494)	(352 397)
	Operating expenses	(1 125 205)	(930 671)
		<u>160 847</u>	<u>120 351</u>
<b>13</b>	<b>FARM TRADING ACCOUNT</b>		
	Revenue	381 832	-
	Other income	27 536	-
	Cost of sales	(359 877)	-
	Operating expenses	(102 301)	-
		<u>(52 810)</u>	<u>-</u>
13.1	On 1 January 2018, the Farm received capital contribution, in the form of assets transferred from Chinhoyi University of Technology, to operate separately as a Strategic Business Unit of the University.		
<b>14</b>	<b>OTHER INCOME</b>		
	Adult and continuing education	23 179	9 547
	Agriculture	(196)	(170 504)
	Alumni, golf tournament and donations	112 689	10 997
	Cosmetology	2 341	931
	Fines	12 380	18 203
	Fuels and energy	-	(5 043)
	Hire of facilities	570 680	670 470
	Garment and video production	37 810	12 979
	Insurance recoveries	28 241	18 081
	Interest from bank accounts	19 895	12 454
	Interest from short term deposits	13 820	16 407
	(Loss)/profit on disposal of equipment	-	(69 111)
	Marketing	17 345	5 350
	Medical aid claim forms	64 302	66 070
	Photocopying	30 112	64 412
	Printing press	(28 034)	(25 243)
	Production engineering	31 371	(2 144)
	Research and resource mobilisation	6 830	65 237
	Senior common room	45 577	21 304
	Student canteen sales	(304 226)	(100 829)
	Tourism	(15 841)	2 919
	Transcript collection fees	9 100	5 591
	Tuckshop sales	25 038	19 706
	Zimsec canteen sales	294 406	146 112
	Sundry income	29 860	88 245
		<u>1 026 679</u>	<u>882 141</u>

**CHINHOYI UNIVERSITY OF TECHNOLOGY**

**NOTES TO THE AMALGAMATED FINANCIAL STATEMENTS**  
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		<b>2018</b>	<b>2017</b>
		<b>\$</b>	<b>\$</b>
<b>15</b>	<b>STAFF COSTS</b>		
	Academic departments	11 253 397	10 670 037
	Non-teaching departments	8 319 313	6 782 631
	Employer's contribution	1 397 035	1 354 341
	Staff benefits	228 369	256 692
	Standard development levy	83 978	76 423
	Staff development	140 756	57 650
	Contact leave	162 400	17 805
	Funeral Assistance	13 059	11 232
	Installation grants	15 112	5 960
		<u>21 613 419</u>	<u>19 232 771</u>
<b>16</b>	<b>OPERATING EXPENSES</b>		
	Consumables	1 952 838	1 487 540
	Vehicle and generator running costs	979 792	784 212
	Maintenance and repairs	893 716	943 052
	Electricity water and rates	495 611	385 478
	Travel and subsistence expenses	607 121	581 807
	Sport, travel and related expenses	201 230	136 765
	Workshops and seminars	164 822	114 141
	Marketing and publicity	285 965	169 622
	Strategic planning and other special functions	65 399	114 337
	ICT software and networks	79 759	24 344
	Legal and professional fees	212 849	56 801
	Accommodation (rentals)	262 905	254 154
	Motor vehicles (hire)	13 571	6 833
	Examination and related costs	172 423	152 999
	Audit fees and related expenses	27 530	27 636
	Clinic expenses	38 428	34 763
	Council	93 794	36 603
	Bank charges	154 850	63 330
	Bad debts	351 980	278 061
	Telephones	100 259	206 936
	Insurance	221 902	137 402
	Internet expenses	323 460	246 781
	Research Board	7 966	38 634
	Library books	64 953	50 082
	Fair value adjustment on biological assets	-	21 031
	Legal fees provision	-	98 000
	Impairment loss on equipment	15 266	-
		<u>7 788 389</u>	<u>6 451 344</u>
<b>17</b>	<b>EXPENDITURE GRANTS</b>		
	Post Graduate Studies	72 940	103 422
	Community	52 920	-
		<u>125 860</u>	<u>103 422</u>

# CHINHOYI UNIVERSITY OF TECHNOLOGY

## NOTES TO THE AMALGAMATED FINANCIAL STATEMENTS 31 December 2018

### 18 RELATED PARTY INFORMATION

#### 18.1 Related parties

Related party	Nature of relationship	2018 \$	2017 \$
CUTEC Microfinance (Private) Limited	Subsidiary		
Zim-China Wanjin Agricultural Development (Private) Limited	Joint venture partner		
Rusunguko Nkululeko Holdings (Private) Limited	Joint venture partner		
Prof D. J. Simbi	Key management		
Prof Z. Muranda	Key management		
Prof J Nyamangara	Key management		
Dr T. B. Bhebhhe	Key Management		
Dr O Sifile	Key management		
Mr B Nyagwaya	Key management		

#### 18.2 Related party payables

The following are the related party balances which are included in trade and other payables as at year end:

CUTEC Microfinance (Private) Limited	-	20 658
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#### 18.3 Related party transactions

The University entered into transactions with related parties in the normal course of business. Details of significant transactions with related parties are shown below:

Name of related party	Nature of transaction		
Zim-China Wanjin (Private) Limited	Supply of bricks to Chinhoyi University of Technology by Zim-China Wanjin (Private) Limited	-	30 370
CUTEC Microfinance (Private) Limited	Stop order deductions of loans advanced to staff members	255 460	237 340

#### 18.4 Compensation to key management

Key management personnel are employees who have authority and are responsible for planning, directing and controlling the activities of the University.

Short term benefits	254 927	254 927
Long term benefits	23 815	23 062
	<u>278 742</u>	<u>277 989</u>

### 19 TAX

The University is exempt from corporate tax as provided for in Section 14 and the Third Schedule of the Income Tax Act (Chapter 23:06).

## CHINHOYI UNIVERSITY OF TECHNOLOGY

### NOTES TO THE AMALGAMATED FINANCIAL STATEMENTS

31 December 2018

#### 20 RETIREMENT BENEFITS

##### 20.1 Chinhoyi University of Technology Pension Fund

Employees are members of Chinhoyi University of Technology Pension Fund, a defined contribution scheme administered by Old Mutual under which the retirement benefit is determined by reference to the employee's contributions. Employees contribute 6.5% and the University contributes 7.5% of the basic salary.

##### 20.2 National Social Security Scheme

All employees are members of the National Social Security Scheme which is a defined contribution pension scheme. The scheme is administered by the National Social Security Authority. The scheme was promulgated under the National Social Security Act of 1989. The University's obligations under the Scheme are limited to specific contributions as legislated from time to time and are currently 3.5% of the pensionable emoluments up to a maximum of \$24.50 per month per employee.

	2018 \$	2017 \$
20.3 Contributions for the year		
The contributions were as follows:		
Chinhoyi University of Technology Pension Fund	1 035 238	923 309
National Social Security Authority Scheme	408 888	492 745
	<u>1 444 126</u>	<u>1 416 054</u>

#### 21 FINANCIAL RISK MANAGEMENT

##### 21.1 General risks management

The University is exposed through its operations, to the following financial risks:

- Credit risk;
- Treasury risk; and
- Liquidity risk.

In common with all other entities, the University is exposed to risks that arise from its financial instruments. This note describes the University'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 substantial changes in the University's exposure to financial instrument risks its objectives, policies and processes for managing those risks or the methods used to measure them from the previous periods unless otherwise stated in this note.

##### 21.2 Principal financial instruments

The principal financial instruments used by the University, from which financial instrument risk arises, are as follows:

- Trade and other receivables;



## CHINHOYI UNIVERSITY OF TECHNOLOGY

### NOTES TO THE AMALGAMATED FINANCIAL STATEMENTS

31 December 2018

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- Cash and cash equivalents; and
- Trade and other payables.

#### 21.3 General objectives, policies and processes

Council has overall responsibility for the determination of the University's risk management objectives and policies and, whilst retaining ultimate responsibility for them, it has delegated the authority for designing and operating the processes that ensure the effectiveness in implementation of the objectives and policies to the University's finance function. The University's internal auditors also review the risk management policies and processes and report the findings to the Finance and Audit Committee.

#### 21.4 Treasury risk

The Finance Committee meets regularly to consider and analyse, among other issues interest rate exposures and to re-evaluate treasury risk management strategies against prevailing economic forecasts. Compliance with the University policies and exposure limits is reviewed at regular Council meetings.

#### 21.5 Foreign currency risk

Foreign currency risk arises from the influence of exchange rate fluctuations. The University does not take out cover on outstanding foreign currency transactions due to the fact that these transactions take place on an ad hoc basis.

#### 21.6 Credit risk

Credit risk is the risk of financial loss to the University if a customer or a counterparty to a financial instrument fails to meet its contractual obligations. Financial assets that potentially expose the University to concentration of credit risk consist of receivables, bank balances and cash. The University's cash and cash equivalents are placed with high quality financial institutions and the receivables are presented net of allowance for credit losses where this is considered necessary. The major receivables of the University are student debtors. Students' academic results are withheld until outstanding fees have been paid and this encourages them to settle their fee obligations. Receivables relating to students on cadetship are guaranteed by the Government.

Quantitative disclosures of the credit risk exposure in relation to financial assets are set out below.

	Carrying Value 2018 \$	Maximum exposure 2018 \$	Carrying value 2017 \$	Maximum exposure 2017 \$
<b>Financial assets</b>				
Cash and cash equivalents	2 365 346	2 365 346	1 962 012	1 962 012
Trade and other receivables	1 124 422	3 134 608	476 154	2 291 438
	<u>3 489 768</u>	<u>5 499 954</u>	<u>2 438 166</u>	<u>4 253 450</u>

## CHINHOYI UNIVERSITY OF TECHNOLOGY

### NOTES TO THE AMALGAMATED FINANCIAL STATEMENTS 31 December 2018

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#### 21.7 Liquidity risk

Liquidity risk arises from the University's management of working capital. It is the risk of insufficient liquid funds being available to cover commitments as they fall due.

The University manages liquidity risk by proper management of working capital and cash flows. Adequate banking facilities are maintained. In order to mitigate any liquidity risk that the University faces, the University's policy has been throughout the year ended 31 December 2018, to maintain substantial unutilised facilities and reserves as well as significant liquid resources. The liquidity risk of the University is managed centrally by the Budget Committee. The Budgets are set locally by Council in advance, enabling the University's cash requirements to be anticipated. Where facilities need to be increased, approval is sought from Council.

	Up to 3 months \$	Between 3 and 12 months \$	Between 1 and 2 years \$	Over 2 years \$
<b>At 31 December 2018</b>				
Trade payables	2 122 579	-	-	-
Other payables	2 926 099	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
Accounts payable	5 048 678	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
<b>At 31 December 2017</b>				
Trade payables	1 023 456	-	-	-
Other payables	4 161 007	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
	5 184 463	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>

The University's current liabilities exceeded current assets by \$983 930 as at 31 December 2018 and \$2 339 361 as at 31 December 2017.

The net current liability position will be funded through government grants and student fees. The University gets financial support from the Government of Zimbabwe to meet capital and recurrent expenditure as a statutory and strategic entity for the country of Zimbabwe.

#### 22 GOING CONCERN

Chinhoyi University of Technology is a statutory entity and is supported by central government on capital expenditure, employment costs and overhead expenses. The University supplements the grants from central treasury through revenue tuition and levies receipts from students. In view of the foregoing circumstances, the University's longevity is not under threat and will live in perpetuity.

**23 EVENTS AFTER REPORTING DATE**

- 23.1 Following the announcement of the Country's Monetary Policy Statement ("MPS") on 20 February 2019 by the Reserve Bank of Zimbabwe ("RBZ") bond notes and coins were immediately denominated as "RTGS dollars" which is coming in as a new currency in the multi-currency system of the economy. The RTGS dollar will become the country's functional currency used for pricing, settlement of local transactions. In addition, the RBZ directed banks to open NOSTRO FCA accounts for their clients in which United States Dollar amounts would be deposited by willing bank clients. The Reserve Bank of Zimbabwe has established an interbank foreign exchange market in Zimbabwe to formalise the exchange of RTGS dollars with the US dollar, and other currencies.
- 23.2 The interbank foreign exchange rate between US dollar and RTGS dollar opened trading on 23 February 2019 at an average rate of 1:2.5. To support pronouncements made in the MPS, the Government of Zimbabwe issued Statutory Instrument No 33 of 2019 which states 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 dollar at a rate of one to one to the United States dollar". Hence no adjustments were made to the amounts presented in these financial statements with regards to the Monetary Policy Statement.
- 23.3 An analysis of the University's statement of financial position as at 31 December 2018 is presented in the sensitivity analysis **Appendix 1** reflecting the possible effects of the MPS issued by the RBZ subsequent to year-end assuming that the MPS was effective as at 31 December 2018. Column A represent the possible effects of restating foreign currency denominated assets and liabilities using the RBZ interbank exchange rate, whilst columns B and C represents the possible effects of restatement of same using the parallel market rate and the Old Mutual Implied Rate ("OMIR"), respectively.
- 23.4 Management were unable to present a similar analysis for the statement of profit or loss and other comprehensive income due to the lack of an appropriate exchange during the year ended 31 December 2018.

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NOTES ON THE AMALGAMATED FINANCIAL STATEMENTS  
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## Appendix 1

	Nostro FCA USD	RTGS FCA & bond notes USD	Total USD at 1:1	A Total RTGS at 1.2:5	Sensitivity analysis----- B Total RTGS 1:3.5C Total RTGS at 1:5	
ASSETS						
Non-current assets						
Property, plant and equipment	41 788 287	-	41 788 287	104 470 718	167 153 148	208 941 435
Biological assets	-	129 750	129 750	129 750	129 750	129 750
Investments	-	35 000	35 000	35 000	35 000	35 000
	41 788 287	164 750	41 953 037	104 635 468	167 317 898	209 106 185
Current assets						
Inventories	-	574 980	574 980	574 980	574 980	574 980
Accounts receivables	25 500	1 098 922	1 124 422	1 162 672	1 200 922	1 226 422
Cash and cash equivalents	89 025	2 276 321	2 365 346	2 498 884	2 632 421	2 721 446
	114 525	3 950 223	4 064 748	4 236 536	4 408 323	4 522 848
Total assets	41 902 812	4 114 973	46 017 785	108 872 004	171 726 221	213 629 033
RESERVES AND LIABILITIES						
Capital and reserves						
Accumulated fund	-	32 673 720	32 673 720	32 673 720	32 673 720	32 673 720
Specific fund	60 011	157 589	217 600	307 617	397 633	457 644
Foreign currency translations	-	-	-	62 764 202	125 528 403	167 371 204
	60 011	32 831 309	32 891 320	97 745 539	158 599 756	200 502 568
Non-current liabilities						
Deferred revenue	-	8 077 787	8 077 787	8 077 787	8 077 787	8 077 787
Current liabilities						
Trade and other payables	-	5 048 678	5 048 678	5 048 678	5 048 678	5 048 678
	-	13 126 465	13 126 465	13 126 465	13 126 465	13 126 465
Total equity and liabilities	60 011	45 957 774	46 017 785	108 872 004	171 726 221	213 629 033

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