ZB Financial Holdings Limited






Annual Report
2009

OUR BUSINESS

We provide a uniquely diverse range of financial services.

OUR VISION

Excellence in our business.

OUR MISSION

We commit ourselves to be the best at creating and maintaining mutually beneficial relationships with all stakeholders in order to achieve our vision.

OUR VALUES

Customer Satisfaction,

Reliability,

Social Responsibility,

Honesty and Integrity.

CORPORATE INFORMATION

ZB FINANCIAL HOLDINGS LIMITED

Registered Office

10th Floor ZB House
46 Speke Avenue
P O Box 3198
Harare
Telephone: +263 -4- 751168/75
Facsimile: +263 -4- 251029
E-mail: zb@zb.co.zw
Web address: www.zb.co.zw

Company Registration Number

1278/89

Date of Incorporation

29 May 1989

Group Company Secretary

C. T Kathemba

Auditors

Deloitte & Touche
1 Kenilworth Gardens
Kenilworth Road
Newlands
Harare
E-mail: deloitte@deloitte.co.zw
Website: www.deloitte.co.zw

Board of Directors

B P Nyajeka (Chairman), E N Mushayakarara (Group Chief Executive), M N Ndudzo, J D Nhavira, F Kapanje, T B P Mpofu, E Munemo

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NOTICE TO SHAREHOLDERS

Notice is hereby given that the Twenty-first Annual General Meeting of shareholders of ZB Financial Holdings Limited will be held in the Board Room, Ninth Floor, ZB House, 46 Speke Avenue, Harare on Friday, 25 June 2010, commencing at 10:30 a.m. to transact the following business:

ORDINARY BUSINESS

1. Financial Statements and Statutory Reports

To receive, consider, and adopt the Financial Statements and the Reports of the Directors and Auditors for the financial year ended 31 December 2009.

2. Directorate

2.1 To note the passing on of Mr Richard C. Hove, the former Chairman, on 21 August 2009.

To note the election of Mr Bothwell P. Nyajeka on 27 November 2009 as the new Chairman of the Company's Board of Directors.

2.2 To elect directors in terms of Articles 61 and 68 of the Articles of Association of the Company.

2.2.1 Mr Michael N. Ndudzo retires by rotation in terms of Article 68 of the Company's Articles of Association, and being eligible, offers himself for re-election.

2.2.2 Mr Thamsanqa P. B. Mpofu and Mr Elliot Munemo were appointed to the Board on 14 October 2009. In terms of Article 61 of the Company's Articles of Association, the two retire at the Annual General Meeting, and being eligible, offer themselves for election.

3. Remuneration of Directors

To approve the remuneration of Directors for the past financial year.

4. External Auditors

4.1 To approve the remuneration for Deloitte & Touche for the past financial year's audit in terms of Article 112 of the Articles of Association of the Company.

4.2 To note the retirement in compliance with Section 41 (4) of the Banking Act (Chapter 24:20) of Messrs Deloitte & Touche of Harare as Auditors of the Company.

4.3 To appoint auditors of the Company in terms of Article 112 of the Articles of Association of the Company.

NOTICE TO SHAREHOLDERS (continued)

SPECIAL BUSINESS

As special resolutions:

1 Re-issue of share capital

At the last Annual General Meeting, members approved the re-denomination of the authorized share capital of the Company to a nominal value of One United States of America Cent (US$0.01). At that time, it was not possible to re-assign share capital and share premium amounts on the statement of financial position in respect of shares already in issue and denominated in Zimbabwean dollars as the statement of financial position was yet to stabilise after the adoption of the United States dollar as the reporting currency.

Now that the statement of financial position has stabilized, it is now necessary to cancel all ZWD denominated shares in issue and replace them with newly re-denominated shares.

Shareholders will thus be required to resolve, with or without amendment:

"THAT, shares in issue, consisting of 175,188,342 ordinary shares presently denominated in Zimbabwean Dollars, be cancelled and, in their stead, 175,188,342 ordinary shares denominated in United State Dollars be issued. All such newly issued shares will rank pari-passu in all respects.

The re-issue of shares will be funded by the transfer of a balance of US$25,883,468.00 presently accounted for under the "Functional Currency Translation Reserve"."

2 Extension of authority to purchase own shares

Shareholders resolved at the last Annual General Meeting to allow the Company to purchase its own shares subject to the provision that such purchased shares would not exceed ten percent (10%) of the Company's issued share capital. The authority expires at the forthcoming Annual General Meeting.

In view of the fact that the targeted threshold of shares has not yet been met, shareholder will be requested to resolve, with or without amendments:

"THAT the authority to purchase own shares granted at the last Annual General Meeting be and is hereby extended up to the next Annual General Meeting under the same terms"

NOTICE TO SHAREHOLDERS (continued)

GENERAL BUSINESS

1. Any other business

   To transact such other business as may be transacted at an annual general meeting.

In terms of the Companies Act (Chapter 24:03), a member entitled to attend and vote at a meeting is entitled to appoint a proxy to attend and vote on a poll and speak in his stead.

A proxy need not be a member of the Company.

By order of the Board

C T Kathemba
Group Secretary
31 May, 2010
10th Floor, ZB House
46 Speke Avenue
HARARE

SHAREHOLDER INFORMATION

ANALYSIS OF SHAREHOLDERS as at 31 December 2009

Shares held			Number	% Spread	Shares held	% holding
1	-	500	212	12.04	45 165	0.03
501	-	1 000	95	5.39	74 125	0.04
1 001	-	10 000	500	28.39	2 616 239	1.49
10 001	-	20 000	651	36.97	9 869 316	5.63
20 001	-	50 000	223	12.66	5 761 158	3.29
50 001	-	100 000	18	1.02	1 330 976	0.76
100 001	-	500 000	38	2.16	7 859 136	4.49
5 000 001	-	10 000 000	21	1.19	29 651 563	16.93
10 000 001	and over		3	0.17	117 980 664	67.35
Total			1 761	100.00	175 188 342	100.00

ANALYSIS BY CATEGORY

Shareholders	Number	% Spread	Shares held	% holding
Individuals	1 538	87.34	31 040 938	17.72
Companies	117	6.64	68 366 874	39.02
FCDA resident and new non resident	10	0.57	189 517	0.11
Pension funds	19	1.08	68 249 502	38.96
Directors	2	0.11	14 986	0.01
Nominee companies	41	2.33	6 494 672	3.71
Non residents	24	1.36	130 692	0.07
Insurance companies	10	0.57	701 161	0.40
Total	1 761	100.00	175 188 342	100.00

TOP 10 SHAREHOLDERS

Holder No	Holder name	Shares held	% holding
2222	National Social Security Authority,	66 196 080	37.79
6178	Government of Zimbabwe,	41 177 201	23.50
383377	Old Mutual Life Assurance Company Zimbabwe Ltd,	10 607 383	6.05
6438	ZB Financial Holdings Limited, Group Staff Trust,	5 273 438	3.01
670139	Mashonaland Holdings Limited,	4 679 739	2.67
448123	Equivest Nominees	2 085 104	1.19
629368	Ministry of Finance,	2 009 157	1.15
627293	MMC Nominees (Private) Limited,	1 957 354	1.12
618428	Zimre Reinsurance (Private) Limited,	1 893 798	1.08
685157	Seymre Nominees Trust,	1 139 542	0.65
	Total holding for top 10	137 018 796	78.21
	Remaining holding	38 169 546	21.79
	Total shares in issue	175 188 342	100.00

PROFILE OF THE TOP 5 SHAREHOLDERS

National Social Security Authority

National Social Security Authority (NSSA) is a statutory body incorporated through an Act of Parliament, the NSSA Act. NSSA is mandated by Government to administer social security schemes in Zimbabwe.

Finhold Group Staff Trust

This is a dividend distribution vehicle for staff members and pensioners not participating in the staff share option scheme run by the group.

Government of Zimbabwe

The investment in ZBFH is managed through the Ministry of Finance for and on behalf of the Government of Zimbabwe.

Mashonaland Holdings Limited

Mashonaland Holdings Limited is a property company listed on the Zimbabwe Stock Exchange. ZBFH, through its proprietary and life fund investments at ZB Life Assurance Limited holds a significant interest in the company.

Old Mutual Life Assurance Company Zimbabwe Limited

Old Mutual Life Assurance Company is the largest life assurance company in Zimbabwe. It is a subsidiary of Old Mutual Plc which is listed on the Zimbabwe, Johannesburg and London Stock Exchanges.

GROUP CORPORATE STRUCTURE

- **ZB Financial Holdings Limited**
  - Cell Insurance (Private) Limited 36.53%
  - ZB Bank Limited 100%
    - Syfrets Nominees (Private) Limited 100%
    - ZB Nominees (Private) Limited 100%
    - The Trustee Company of Central Africa (Private) Limited - 100%
    - Barcelona Investments Limited 100%
    - Zimswitch Technologies (Pvt) Ltd 27.68%
    - Credit Insurance Zimbabwe Limited (24.05%)
  - ZB Securities (Private) Limited 100%
  - Scotfin Limited 100%
  - ZB Holdings Limited 100%
    - ZB Asset Management Company Limited 100%
    - ZB Capital (Private) Limited 100%
    - Syfrets Trust & Executor Limited 100%
    - Syfrets Corporate Trustee Company (Private) Limited 100%
    - Syfin Holdings Limited 100%
    - Data Centre (Private) Limited 100%
    - Alexander Forbes Zimbabwe (Private) Limited - 40%
  - Intermarket Holdings Limited 84.26%
    - ZB Life Assurance Limited 64%
      - Intermarket Properties (Cinema) (Private) Limited - 100%
      - Original Investments (Private) Limited 42%
      - Aasaculz (Private) Limited 100%
      - Twirlton Investments (Private) Limited 26%
      - Mashonaland Holdings Limited 32%
      - Citiside (Private) Limited 60%
      - Checkweighers Farmers (Private) Limited 65%
    - ZB Building Society 59%
      - Finsure Investments (Private) Limited 51%
      - Wentspring Investments (Private) Limited 100%
    - Credit Insurance Zimbabwe Limited (18%)
    - ZB Reinsurance Limited 100%
    - Intermarket Banking Corporation Limited (Zimbabwe) - 96%
    - ZB Stockbrokers (Private) Limited 75%
      - Intermarket Nominees (Private) Limited 100%
    - First Mortgage Investments (Private) Limited - 100%

COMPANY AND PRODUCT PROFILE

ZB Financial Holdings Limited (ZBFH) was incorporated in May 1989, as the holding company for a group of companies which have been providing commercial banking, merchant banking and other financial services since 1967.

ZB Bank Limited

ZB Bank is the flagship operation of ZBFH and comprises commercial banking and investment banking arms.

Products and Services

Consumer Banking
- Savings accounts
- Current accounts
- Call banking
- Bancassurance
- Funeral cover
- Electronic banking services

Credit Services
- Agricultural financing
- Loans
- Overdrafts
- Advisory services
- Corporate savings accounts
- Corporate current accounts
- Asset finance
- Premium finance

Treasury and Investments
- Fixed deposits
- Treasury bills
- Bankers acceptances
- Savings deposit account
- Foreign currency accounts
- Foreign lines of credit
- Structured facilities
- Investments advisory services
- Project finance

International Banking
- Correspondent banking
- Commodity finance
- Import and export finance
- Exchange control and advisory services
- Clean documentary collections
- Documentary letters of credit

ZB Building Society

ZB Building Society was incorporated in Rhodesia (Zimbabwe) as Founders Building Society and received its trading licence in 1961. The company then changed names to Intermarket Building Society and later to ZB Building Society after the acquisition of IHL by ZBFH.

The main business of the society is raising funds out of which it makes advances to the public and corporate bodies on the security of reducible or fixed term mortgages over immovable property and loans to public and corporate bodies on the security of their deposits with the society.

Products and Services

Savings products
- Premium banking
- Cash connect plus
- Cash link account
- Senior citizens
- Student account
- Cash connect
- Club account corporate account
- Savings account
- FX target account
- Funeral cover

Investments Products
- Negotiable certificates of deposit
- Savings certificate of deposit
- Treasury bills
- Paid up permanent shares

Mortgage Products
- Flexi mortgages plan
- Flexi corporate plan
- Mortgage plan individual
- Mortgage plan corporate
- Flexi mortgage account

COMPANY AND PRODUCT PROFILE (continued)

ZB Asset Management Company Limited

ZB Asset Management Company is a wholly owned subsidiary of ZB Financial Holdings Limited. The Company was registered as an Asset Manager in May 2004 and manages funds on the basis of specific mandates from clients.

Products and Services

Unit Trusts

Under Unit Trust Funds, the capital of a large number of investors is combined and invested under the management of professional investment managers.

General Equity Fund

The Fund's objective is to generate returns in excess of the Zimbabwe Stock Exchange (ZSE) share indices over the medium to long term, whilst observing an acceptable risk profile. The funds portfolio includes a diverse selection of high - quality companies quoted on the ZSE and money market assets that reduce the overall risk.

Specialist Equity Fund

This Fund's objective is to generate high returns, in excess of the ZSE Share Indices over the short to medium term. The funds portfolio comprises stocks that inter allia trade at a discount to net asset value and have potential for growth. Companies that have prospects for strong profit growth are also considered.

Endowment Funds

An Endowment Fund is a product developed for projects where there is a timing difference between the receipt and disbursement of associated cash flows. Through this product, clients benefit from income earned during the tenure of the project and also from the certainty that future disbursements will be met. Funds of this nature tend to be liquid and risk averse.

Money Market Managed Funds

Under this product, the company makes wholesale money market investments on behalf of clients, who benefit from this product as funds from various investors obtain competitive rates on the money market. Investments made here have a low risk profile as they are secured.

Balanced Portfolios

This product is designed for pension funds, other institutional investors and high net worth individuals. The portfolios maintained by the company, for each client, comprise a tailor made mix of equity and money market investments.

In line with most clients' requirements, such portfolios are designed to outperform inflation, the industrial index or any other benchmarks.

ZB Capital (Private) Limited

ZB Capital is the arm of ZBFH that specialises in venture capital finance, corporate finance, and advisory services.

The Corporate Finance & Advisory Services unit provides transaction evaluation, financing and deal management advice to private and public companies. The unit offers a considerable range of corporate finance services namely:

- Floatations and public offerings;
- Acquisitions and disposals;
- Takeovers and mergers;
- Capital raisings (both local and International);
- Research, business proposal construction;
- Privatisation/ commercialisation advice
- Rights offer and placements;
- Joint ventures;
- Management buy-outs;
- Valuations and appraisals;
- Private and public partnerships; and
- Project finance and management

ZB Life Assurance Limited

ZB Life Assurance Limited, then known as Southampton Insurance Company Limited, commenced operations in 1964 as a subsidiary of The African Life Assurance Society. After several reorganisations the Company was then owned 100% by Southern Life Association of South Africa in 1985. In line with the local majority shareholding provision of the Insurance Act, Southern Life reduced its stake in the company to 49% in 1994. On 1 May 1998 the remaining stake was sold to Intermarket Holdings Limited who became the major shareholder in the Company with a shareholding of 57%. In April 2002, the Company changed its name to Intermarket Life Assurance Limited.

COMPANY AND PRODUCT PROFILE (continued)

After the acquisition of IHL by ZBFH, Intermarket Life Assurance Limited changed its name to ZB Life Assurance Limited on 1 July 2007.

ZB Life Assurance Limited (ZB Life) specializes in mobilizing financial resources and managing the process of wealth creation and protection through life assurance solutions.

ZB Life has two major product lines namely the Individual Life Business and the Employee Benefit Business, which comprises the Defined Benefits and the Defined Contribution scheme.

Individual Life Products

- Whole life policies
- Unit linked endowment policies
- Unit linked retirement annuity policies
- Variable immediate annuities
- With profits immediate annuities
- Term assurances
- Capital disability benefits

Employee Benefits Products

ZB Life provides a unique offering in retirement benefits, through designing and managing:

- Employer sponsored occupational pension arrangements covering defined benefit and defined contribution plans as well as hybrids of the two.
- Group insured benefits schemes from group life assurance, group mortgage protection, group credit life assurance solutions right through to group funeral assurance plans.

Consultancy Services

ZB Life Assurance also offers solutions to a whole range of challenges relating to the provision of employee benefits. These include benefits design together with the impact of legislative, demographic as well as economic changes and other relevant social trends on the provision of employee benefits.

Consultancy service areas include

- Administration or secretarial
- Actuarial
- Insured risk benefits underwriting
- Investment

ZB Reinsurance

ZB Reinsurance (ZBRe) is the re-insurance arm of ZBFH, offering a diverse range of re-insurance services.

Established as Intermarket Reinsurance Limited in a joint venture between Hollandia Reinsurance of South Africa and Intermarket Holdings Limited in 1997; the company was renamed ZB Reinsurance subsequent to the acquisition of Intermarket Holdings Limited by ZB Financial Holdings group in 2006.

ZBRe provides facultative and treaty reinsurance solutions and financial security to local and regional insurance companies, reinsurers, medical aid societies and special type clients/consortiums. It offers risk management solutions and technical reinsurance training to its clients.

ZBRe has, over the years, cultivated lasting partnerships with renowned insurance and reinsurance companies both regionally and internationally with the view to ultimately entrenching a regional presence.

Products

ZB Reinsurance is active in the provision of both treaty and facultative business for the following classes:

- Fire

  This covers fire and allied perils, including business interruption insurance cover.
- Engineering

  Includes machinery breakdown, contractors all risks, electronic equipment, plant all risks, erection all risks as well as loss of profits.
- Motor

  This Includes a comprehensive cover and Third Party Insurance cover for personal and commercial lines.
- Marine

  This covers marine risks, both the hull and cargo including liabilities.
- Miscellaneous accident
- Fidelity guarantee
- Bonds and Guarantees

  Glass, money and casualty business, including liabilities and personal accident

COMPANY AND PRODUCT PROFILE (continued)

ZB Securities (Private Limited)

ZB Securities is a wholly owned subsidiary of ZBFH which came into being on the 1st of April 2008 and commenced trading a month later. The entity was created mainly for the purpose of trading in securities listed on the Zimbabwe Stock Exchange.

Products

- Trading listed stocks on the Zimbabwe Stock Exchange on behalf of investors
- Trading in non-listed Stocks on behalf of investors
- Portfolio Management and Portfolio Valuations
- Investment advice and analysis
- Sponsoring broker-ships and advisory services with regards to listings, bonus issues, rights issues, mergers and acquisitions, restructurings, etc, including advice on compliance with Zimbabwe Stock Exchange Listing requirements
- Portfolio switches, structured transactions, foreign trading in equities, etc
- Scrip management
- Transfer secretarial services and custodial services

Associate Companies

Cell Insurance (Private) Limited

ZBFH controls a stake of 36.53% in Cell Insurance Company, having become an equity partner in the business in 2007. Cell insurance is a provider of short term insurance products specialising in the rent- a-cell concept.

Cell Insurance Company is also the technical partner to ZB Bank for the Bancassurance products offered to customers through the bank's branch network.

Products

- Cell captive (Rent-a-Cell)
- Enterprise wide risk management
- Bancassurance
- Conventional short term insurance products

Credsure

Credsure Insurance is a short term insurance company that specialises in credit insurance, bonds and guarantees, while offering other general insurance products.

ZBFH controls 42.1% of Credsure indirectly via ZB Bank Limited and ZB Reinsurance Company.

Products

- Credit, bonds, guarantees
- General insurance

Alexander Forbes (Zimbabwe)

ZBFH acquired a 40% stake in the then Willis Corroon in 1970, the firm later changed its name to Alexander Forbes Zimbabwe Limited.

Alexander Forbes offers risk management and advisory services for a wide range of short term insurance and life assurance products.

Products

- Fire and allied perils
- Office contents
- Loss of profits
- Accounts receivable
- Burglary

COMPANY AND PRODUCT PROFILE (continued)

Products (Continued)

- Money
- All risks
- Goods in transit
- Assets all risks
- Fidelity guarantee
- Computer or electronic equipment insurance
- Public liability
- Personal accident
- Employers' residual liability
- Motor
- Motor contingent liability
- Motor traders
- Machinery
- Machinery loss of profits
- Plant all risks
- Contractors all risks
- Directors' and officers liability
- Comprehensive riot cover
- Farming and livestock
- Group life pension schemes
- Individual life, annuities and pensions
- Export/domestic Credit

CORPORATE GOVERNANCE

ZB Financial Holdings Limited (ZBFH) is listed on the Zimbabwe Stock Exchange (ZSE) and upholds the principles of the code of corporate practices and conduct contained in the second report of the King Commission (King II Report on Corporate Governance) as well as the continued listing requirements of the ZSE. The Group complies with all relevant statutory and regulatory requirements and the provisions of its Memorandum and Articles of Association at all times.

THE BOARD OF DIRECTORS

- ### The Composition of the Board

  The current Board of Directors has two executive directors and five non-executive directors. The Board Chairman is a non-executive director. The roles of the Chairman and the Group Chief Executive are separate.

  Effective control is exercised through the Group Executive Committee, the Group Chief Executive, the Managing Directors of subsidiary companies and the respective company executive directors who are accountable through regular reports to the Board.

  The non-executive directors have the skill and experience to bring unrestrained judgement to bear on all corporate issues.

  Article 68 of the company's articles of association states that one third of the directors retire by rotation annually and may stand for re-election. All directors submit themselves for re-election at regular intervals not exceeding three years.

  Non-executive directors derive no benefits from the company for their services as directors, other than retainer and sitting allowances. All board members are required to disclose other directorships and any potential conflict of interest. Directors are requested to recuse themselves from deliberations on matters in which they have a conflict of interest.

- ### Roles and Responsibilities

  The company's board charter covers the following broad mandate:

  - Approval and adoption of the strategic and annual business plans, the setting of objectives and the review of key risk and performance areas.
  - Approval of commitments outside the authority delegated to the executive management committees and individual directors.
  - Review, at regular board meetings, of management's performance against set objectives, in terms of key performance areas.
  - Determination of overall policies and processes to ensure the integrity of the company's management of risk and internal control.
  - Approval and adoption of group policies, programmes and procedures for safety, health, environment, treasury, remuneration and benefits.

CORPORATE GOVERNANCE (continued)

- Roles and Responsibilities (continued)

  - Adoption and monitoring of the Group's code of conduct and related matters.
  - Approval and adoption of statutory communications to stakeholders and the investing public.
  - Appointment of the Group Chief Executive.
  - Approval of the appointment and removal of the directors, the auditors, and the company secretary.

The Board monitors compliance with policies, and achievement against objectives, including quarterly performance reporting and budget updates. It considers issues of strategic direction, large acquisitions and disposals, and approves major capital expenditures and all matters with a material effect on the Group. Management makes presentations to the board on business operations and projects within the company.

The Board has four scheduled meetings a year and holds ad hoc meetings whenever necessary. The agenda and relevant supporting documents are distributed to the directors well before each board meeting. During the meeting, the appropriate executive directors give explanations and motivations for business items where decisions are required. The directors have unrestricted access to all company information and records.

A record of meetings of the Board for the year ended 31 December 2009 is shown in the table below:

	Total meetings	Meetings attended	Meetings not attended
R C Hove (deceased)	4	4	0
B P Nyajeka	12	12	0
E N Mushayakarara	12	12	0
M N Ndudzo	12	11	1
J D Nhavira	12	12	0
F Kapanje	12	12	0
E Munemo	3	3	0
T P B Mpofu	3	2	1

- Induction and Evaluation of Directors

On appointment, new directors are briefed on their fiduciary duties and responsibilities by executive management. Visits to company sites and operations are arranged to facilitate understanding of the company's affairs. Directors are informed of any new relevant legislation and changing commercial risks that affect the company.

Directors are entitled to seek independent professional advice at the company's expense about the affairs of the company and where necessary for the furtherance of their duties. All directors have access to the company secretary who is responsible to the board for ensuring company compliance with procedures and applicable statutes and regulations.

The Board conducts regular ongoing assessments to evaluate the effectiveness of its procedures. The company

CORPORATE GOVERNANCE (continued)

- Induction and Evaluation of Directors (continued)

secretary is responsible to the board as a whole and to directors individually, for ensuring compliance with procedures and applicable statutes and regulations.

- The Company Secretary

The Board has unlimited access to the Company secretary, who advises the board and its sub-committees on issues including compliance with Group rules and procedures, statutory regulations, the King II Report, and the rules of the ZSE.

The Company secretary ensures that the proceedings and affairs of the directorate, the company itself and, shareholders are properly administered. He assists in developing the annual Board plan and administers all statutory obligations of the company's subsidiaries.

- Insider Trading

No employee may deal either directly or indirectly in the company's shares when the company is under a cautionary announcement and during a closed period. A formal guideline has been issued to ensure that no directors and officers of the company trade in the company's shares during a closed period. Closed periods are introduced from the end of the interim and annual reporting periods to the announcement of financial results of the respective periods, as well as during periods that the Board deems necessary.

Details of dealings in the shares of the company are disclosed at scheduled quarterly board meeting.

BOARD COMMITTEES

To enable it to fully discharge its responsibilities, the Board has delegated authority to the Group Chief Executive and other executives to run the day to day affairs of the company. In tandem with this arrangement, the Board has established several committees; namely Board Executive/Credit, Board Audit, Group Loans Review, Group Executive Management, Assets and Liabilities Management, Group Risk Management and Human Resources and Remuneration.

- Board Executive/Credit Committee

The Committee consists of three non-executive directors and one executive director. It has general and specific delegated authority granted by the Board of Directors. It is chaired by a non-executive director.

Meetings held by the Committee during the year ended 31 December 2009 were as follows:

	Total meetings	Meetings attended	Meetings not attended
R C Hove (deceased)	3	3	0
B P Nyajeka	3	3	0
E N Mushayakarara	10	7	3
M N Ndudzo	10	7	3
J D Nhavira	4	4	0

CORPORATE GOVERNANCE (continued)

- ## Board Audit Committee

The Committee consists of three non-executive directors. It meets at least four times a year and its scope of work includes, but is not limited to, an independent examination of all matters relating to the whole Group including the Bank, the internal controls, an assessment of risks or exposures and a review of financial statements before their publication. The external auditor representative attends all its meetings.

Meetings held by the Committee during the year ended 31 December 2009 were as follows:

	Total meetings	Meetings attended	Meetings not attended
M N Ndudzo	5	4	1
J D Nhavira	5	4	1
B P Nyajeka	5	4	1
E N Mushayakarara	5	2	3

- ## Group Loans Review Committee

The Committee comprises three members, two of whom are non-executive directors. It meets at least four times a year to review the Group's loan book for compliance with the Group's credit and risk policies and the RBZ guidelines on prudential lending and provisioning for bad and doubtful debts. The Committee is independent of and separate from, the credit granting process. The Committee is chaired by a non-executive director.

Meetings held by the Committee during the year ended 31 December 2009 were as follows:

	Total meetings	Meetings attended	Meetings not attended
J D Nhavira	3	3	0
B P Nyajeka	3	3	0
E N Mushayakarara	3	1	2
S K Chiganze	3	3	0
R Mutandagayi	3	3	0
F Kapanje	3	3	0

- ## Group Risk Management Committee

The Committee provides an independent and objective oversight and review of the information presented by management on corporate accountability and specifically associated risk, also taking account of reports by the Audit Committee to the Board on financial, business and strategic risk. The Committee consists of three members two of whom are non-executive directors. The Chairman is a non-executive director.

CORPORATE GOVERNANCE (continued)

- **Group Risk Management Committee (continued)**

Meetings held by the Committee during the year ended 31 December 2009 were as follows:

	Total meetings	Meetings attended	Meetings not attended
J D Nhavira	3	3	0
B P Nyajeka	3	3	0
E N Mushayakarara	3	1	2

- **Human Resources & Remuneration Committee**

The Committee consists of two non-executive directors and one executive director. It is responsible for setting the remuneration terms and packages for executive directors and other members of senior management. Furthermore, it sanctions all general management appointments and reviews the Group's Human Resources policies on a regular basis. The Committee is chaired by a non-executive director.

Meetings held by the Committee during the year ended 31 December 2009 were as follows:

	Total meetings	Meetings attended	Meetings not attended
R C Hove (deceased)	2	1	1
B P Nyajeka	2	2	0
E N Mushayakarara	2	2	0

- **Group Executive Management Committee**

The Group Executive Management Committee is an internal committee through which executive management decisions are formulated and implemented. The Committee comprises senior executives in the Group with sufficient representation to cover all material business units.

The Committee is chaired by the Group Chief Executive Officer and meets at least once on a monthly basis to track issues of a strategic and / or operational nature.

- **Other Group Companies**

All other operating subsidiary companies of the Group have in place operational boards and dedicated Board members that monitor the operations in line with the overall Group strategic thrust.

CORPORATE GOVERNANCE (continued)

- Other Group Companies

A record of meetings held by the operating Boards of the Group's strategic business units for the year ended 31 December 2009 is shown in the table below:

	ZB BANK	ZB ASSET	ZBBS	ZBRE	ZB LIFE
Total meetings held	6	5	5	4	4
Total meetings attended:					
R C Hove	0	n/a	n/a	n/a	n/a
T P B Mpofu	1	n/a	5	n/a	n/a
E Munemo	2	n/a	5	n/a	n/a
R Mutandagayi	3	5	5	4	4
S K Chiganze	6	5	5	n/a	n/a
E N Mushayakarara	6	n/a	5	4	4
B P Nyajeka	6	n/a	n/a	n/a	n/a
F Kapanje	6	n/a	n/a	n/a	n/a
J D Nhavira	6	n/a	n/a	n/a	n/a
M N Ndudzo	6	n/a	n/a	n/a	n/a
C J Murandu	n/a	4	n/a	3	n/a
P M Nyamadzawoh	n/a	4	n/a	n/a	n/a
F Manjokota	n/a	5	n/a	n/a	n/a
Z R Churu	n/a	5	n/a	n/a	n/a
S A Sibanda	n/a	n/a	3	n/a	n/a
S Mahlangu	n/a	n/a	3	n/a	n/a
C Sandura	n/a	n/a	4	n/a	n/a
M T Sachak	n/a	n/a	4	n/a	n/a
C Makoni	n/a	n/a	5	n/a	n/a
A G Chinembiri	n/a	n/a	n/a	n/a	4
C Mandizvidza	n/a	n/a	n/a	n/a	4
C Nyachowe	n/a	n/a	n/a	4	n/a
D T Machingaidze	n/a	n/a	n/a	2	n/a
E T Z Chidzonga	n/a	n/a	n/a	n/a	4
F B Chirimuuta	n/a	n/a	n/a	3	n/a
K P Matsikidze	n/a	n/a	n/a	n/a	4
L Mawire	n/a	n/a	n/a	n/a	4
M L Nazare	n/a	n/a	n/a	4	n/a
M Mkushi	n/a	n/a	n/a	n/a	3
T Moyo	n/a	n/a	n/a	n/a	2
W J Haslam	n/a	n/a	n/a	n/a	2

Key:

ZB BANK	-	ZB Bank Limited
ZB ASSET	-	ZB Asset Management Company Limited
ZBBS	-	ZB Building Society
ZBRE	-	ZB Reinsurance Limited
ZB LIFE	-	ZB Life Assurance Limited
n/a	-	Not Applicable

DIRECTORATE

Bachelor of Accountancy (Honours) Degree (Universityof Zimbabwe); Chartered Accountant (Zimbabwe); Masters in Business Leadership (University of South Africa)

Bothwell Patrick Nyajeka

(Non-Executive Chairman)

Bachelor of Science in Economics Degree (University of Rhodesia and Nyasaland)

Elisha Nyikadzino Mushayakarara

(Group Chief Executive Officer)

Bachelor of Accountancy (Honours) (University of Zimbabwe); B.Compt (University of South Africa); Chartered Accountant (Zimbabwe)

Fanuel Kapanje

(Group Finance Director)

Bachelor of Arts Honours Degree (Public Administration) (University of Teeside UK); Master of Science Degree in Management (University of Manchester UK)

Thamsanqa Mpofu

(Non-Executive Director)

DIRECTORATE (continued)

Bachelor of Education (Honours) Degree
(University of Zimbabwe);
Applied Psychology Institute of
Personnel Management Diploma;
Post Graduate Diploma Business Leadership
(University of Pretoria South Africa)

Elliot Munemo

(Non-Executive Director)

Bachelor of Accountancy (Honours) Degree
(University of Zimbabwe)

Michael Nyamadzawo Ndudzo

(Non-Executive Director)

Diploma in Accountancy (Zambia);
Certificate in Housing Finance
(Wharton Business School USA);
Fellow- Institute of Bankers (SA);
Associate-Institute of Building Societies;
Masters in Business Administration
(University of Zimbabwe)

John Davison Nhavira

(Non-Executive Director)

CHAIRMAN'S STATEMENT

Bothwell Patrick Nyajeka
(CHAIRMAN)

"The level of liquidity on the market remained critically low throughout the year thus making the overall cost of money disproportionately higher than that obtaining in other countries within the region."

Operating environment

The level of liquidity on the market remained critically low throughout the year thus making the overall cost of money disproportionately higher than that obtaining in other countries within the region.

Trading margins also remained very tight and, with low volumes of business transacted generally, this had an adverse effect on the levels of profitability posted by the Group.

As a consequence of the low levels of disposable incomes, the property and capital markets exhibited bearish trades with the overall capitalization level of the Zimbabwe Stock Exchange being heavily discounted. The much anticipated inflows of foreign capital following the exchange control reforms of February 2009 and the launch of the Short Term Emergency Recovery Programme (STERP) proved rather sluggish as foreign investors remained apprehensive about the prospects of the inclusive government that was ushered in by the signing of the Global Political Agreement in 2008.

As testimony of a much improved trading environment compared to prior year, the year-on-year inflation to December 2009 receded by 7.7% whilst the economy is estimated to have grown by 4.7% in 2009 compared to a decline of 14.1% in 2008.

The general price stability obtaining in the multi-currency environment has resulted in improved planning processes as cost trends are now more predictable. Pressure has, however, continued to mount on staff related expenses driven by salary demands which are linked to a high cost of living indicator.

Confidence in the financial services sector has generally continued to be low as exemplified by the lukewarm response to the traditional service channels offered by the institutions. According to the monetary policy statement issued by the Governor of the Reserve Bank of Zimbabwe in January 2010, only 19 997 inter-bank cheque transactions were processed between August and December 2009.

CHAIRMAN'S STATEMENT (continued)

Economic outlook

Amongst other objectives, the Three Year Macro-Economic Policy and Budget Framework launched by His Excellency, The President of Zimbabwe, during the first quarter of 2010 seeks to sustain macro-economic stabilization, provide support for rapid growth and employment creation, and encourage public and private sector investment. Government projects a 7% growth rate in the Gross Domestic Product (GDP) for 2010 whilst inflation is projected at 5.1%.

A gradual improvement in the culture of investment is projected with a savings to GDP ratio of 14.3% expected for 2010, increasing to 25.4% by 2012.

Achievement of the macro-economic goals indicated above will require, among other things, the active participation of the financial services sector through a deliberate stimulus package that injects more liquidity into the sector. Such an approach will result in capital being distributed evenly throughout the economic sectors at more reasonable and sustainable prices.

The mounting risk of default on assets on account of the high level of interest rates generally applicable is expected to induce pressure for the reduction of such rates. This should result in trading margins tightening even further, thus requiring an aggressive mobilization of business volumes to guarantee profitability.

The Group's performance

Trading in a markedly changed environment, the strategic priority for the Group for 2009 was to protect the capital of the business whilst at the same time developing and nurturing business relationships with our trading partners. These relationships are expected to become solid pillars of sustainable future growth.

The Group posted a total comprehensive income of US$8.8m for the year ended 31 December 2009, as is discussed in more detail in the Group Chief Executive Officer's report.

Dividend

In view of the need to recapitalize the business, the Directors have considered it prudent not to pay a dividend for the year under review.

Strategic thrust

All the regulated entities within the Group have sufficient audited reserves to meet applicable regulatory capital requirements.

The Group is, however, in the process of evaluating technical and financial partners with a strategic fit to the business.

Corporate governance

ZB Financial Holdings Limited is listed on the Zimbabwe Stock Exchange (ZSE) and subscribes to recommended best practices regarding corporate governance principles and conduct.

The Group is committed to meaningful and accurate disclosure through comprehensive reporting in order to facilitate objective assessment of the Group's potential, its earnings capacity, and the risks associated with the generation of those earnings.

Litigation

The case in which Transnational Holdings Limited is challenging the acquisition of a controlling interest in Intermarket Holdings Limited by ZB Financial Holdings Limited (ZBFH) is still to be heard at the Supreme Court of Zimbabwe.

Material post-balance sheet events

In terms of the Council Decision 2010/92/CFSP of 15 February 2010, the Council of The European Union removed ZBFH and all its subsidiary companies from the list of entities on which restrictive measures must be applied. This development paves the way for enhanced customer convenience as the

CHAIRMAN'S STATEMENT (continued)

Group has resuscitated its network of counterparties in the Euro-zone.

The Group remains hopeful of similar revocation from the listing of Specially Designated Nationals of the Office of Foreign Assets and Control (OFAC) of the United States of America's Treasury Department.

Directorate

I would like to acknowledge the sterling effort of our former chairman, Mr. Richard C. Hove, who passed on during the second half of the year. His wise counsel will be sadly missed.

The Group welcomes Messrs Thamsanqa P. B. Mpofu and Elliot Munemo who were appointed to the Board of Directors during the year under review. The Group looks forward to their contribution to its affairs.

Acknowledgement

I would like to thank members of the Board for their support.

On behalf of the Board, I wish to thank management and staff, the various authorities and all stakeholders for their support and hope for continued harmonious relations going forward.

B. P. Nyajeka
Chairman

25 March 2010

Convenience is only a click away

GROUP CHIEF EXECUTIVE'S REPORT

E. N. Mushayakarara
(GROUP CHIEF EXECUTIVE)

"The operating environment presented high credit risk as borrowing clients battled to improve businesses' operating capacity and to re-establish markets. However, both ZB Bank and ZB Building Society were able to maintain adequate safeguards, achieving a provisioning ratio of less than 1%."

Performance outturn

Following an initial rally of the key elements of business for all operating units in the first half of the year, albeit from a minuscule base, general stagnation was observed towards the end of the financial year as liquidity levels hit a plateau.

Thin trading margins, an entrenched cost base and a lacklustre performance of the capital markets combined to result in an operating profit of US$0.1m for the Group for the year under review.

The total comprehensive income amounted to US$8.8m of which US$7.6m was attributable to the equity holders of the parent company.

An amount of US$5.5m was transferred to the Life Fund.

In order to align its cost structure to the level of current and projected business, the Group embarked on a staff retrenchment exercise which resulted in a total of 191 staff members being retrenched at a total cost of US$1.1m.

Total Group assets increased by 86% to close the year at US$124.7m.

Operations review

Banking:

In the absence of a US$ lender of last resort, liquidity management assumed even greater importance in the day to day running of banking operations. The high deposits turnover created a need for both ZB Bank and ZB Building Society to hold substantial non-performing cash balances for purposes of meeting customer withdrawal requirements.

Customer deposits were generally of a short-term nature thus demanding prudence in the extent to which loans could be availed to borrowing clients.

The operating environment presented high credit risk as borrowing clients battled to improve businesses' operating capacity and to re-establish markets. However, both ZB Bank

GROUP CHIEF EXECUTIVE'S REPORT (continued)

and ZB Building Society were able to maintain adequate safeguards, achieving a provisioning ratio of less than 1%.

ZB Bank Limited

ZB Bank and its subsidiary companies reported a total comprehensive income of US$2.4m for the year. This is after accounting for depreciation expense amounting to US$1.6m and the bulk of the retrenchment cost amounting to US$0.8m.

Total deposits closed the year at US$49.2m whilst the balance sheet footings increased by 241.3% to close at USD79.7m.

Following strained profitability patterns in the first half of the year, the Bank was able to break-even on a month-by-month basis towards the end of the financial year.

The Bank maintained capital adequacy and liquidity ratios which were above the statutory levels throughout the year.

In order to enhance customer convenience, ZB Bank is offering a full bouquet of services that includes cheque accounts, internet and telephone (SMS) banking, Real Time Gross Settlements (RTGS), point of sale (POS) and some automated teller machines (ATMs). Loan facilities are available on the basis of strict vetting criteria in order to manage the risk of default.

The Bank continues to enhance existing channels with key developments on the use of General Packet Radio Service (GPRS) and Transmission Control Protocol / Internet Protocol (TCPIP) on merchant and branch POS already at an advanced stage.

The Bank consolidated its representation in a number of centres resulting in the closure of two branches in Harare and the Nyanga branch.

On the other hand, new branches were opened in Shurugwi and Coleen Bawn to further enhance customer reach and competitiveness.

ZB Building Society

The Society and its subsidiaries posted a total comprehensive income of US$2.7m with the total statement of financial position having increased by 59.8% to close at US$18.3m.

The mortgage finance business remained constrained as the funding book generally exhibited a short-term profile. However, the Society has generated a sizeable book on the company assisted loan scheme.

The Society embarked on several card based initiatives to enhance service delivery and business growth, which included getting some ATMs online, production of debit cards and a branch POS roll out.

Phase Two of the Springvale Development Project (Springvale) in which a total of 360 commercial and residential stands will be developed in Ruwa is yet to commence.

In the meantime, the Board of Wentspring Investments (Private) Limited, the management company for the Springvale project, has been reconstituted.

More land development projects will be embarked on leveraging on the capital resources mobilized by the Group.

Insurance:

ZB Life Assurance Limited

Throughout 2009, most employers took a cautious approach to staff compensation, with the result that pensionable earnings were generally kept at very low levels. Consequently, pension contribution income depicted a long drawn pattern of subdued growth whilst individual life business was insignificant.

Premiums improved in the last quarter of the year.

GROUP CHIEF EXECUTIVE'S REPORT (continued)

Gross premium income for the year was US$2.6m whilst policyholder benefits amounted to US$0.6m.

The total comprehensive income for the year amounted to US$1.8m. Total assets under management were US$21.2m inclusive of the Life Fund assets amounting to US$11.7m.

During the year under review, shareholders approved a capitalization issue of shares worth US$2.1m which was funded from the investment reserves.

In partnership with sister companies, ZB Bank and ZB Building Society, the life company introduced a scheme in which subscribing customers of the Bank and the Society are able to access funeral cover upon the death of registered beneficiaries.

ZB Reinsurance

After having shown a promising growth trend from increased uptake of insurance in the wake of adoption of the multi-currency regime, the non-life insurance sector showed signs of slowing down in the second half of the year. Pressure from pervasive liquidity and capacity utilization constraints affecting businesses, and low disposable incomes of domestic consumers moderated the overall performance of the sector.

Capitalization constraints have continued to restrict the Company's underwriting capacity leading to increases in premium retrocession to avert solvency risk.

The Gross Premium Written for the year for the company was US$9.5m. From this the company managed to achieve a positive underwriting result of US$1.4m, arising mainly from positive unearned premium reserve movement. The total comprehensive income for the year amounted to US$2.1m.

Fund management and stock-broking operations:

The low level of disposable incomes and the depressed trading patterns at the ZSE adversely affected all players in the asset management and stock-broking sub-sectors.

The challenge has been compounded by the ever-increasing pressure to reduce management and brokerage fees. For now, stock-broking fees have been regulated at the level of 1% of the value of the transaction.

Against this background, ZB Asset Management Company Limited posted a total comprehensive income of US$0.08m on a total proprietary asset base of US$0.6m with funds under management amounting to US$4.8m.

ZB Securities (Private) Limited on the other hand posted a total comprehensive profit of US$0.04m on a total asset base of US$0.4m.

Other operations

Associate companies of the Group, being Cell Insurance Holdings (Private) Limited, Credsure (Private) Limited, Zimswitch Holdings (Private) Limited and Alexander Forbes Zimbabwe (Private) Limited have all fully established themselves in their sectors and contributed modest results to the overall Group's outturn.

Operations outlook

The Group is confident of sustainable profitability for the year 2010 and beyond.

Internal processes

The advent of the multi-currency trading regime has heightened the risk of financial loss due to frauds and robberies. The Group has continually reviewed its processes, physical security and insurance arrangements in order to reduce the chance of loss events, and to minimize the loss amount should such events occur.

Group human capital and training

The Group's staff complement as at 31 December 2009 stood at 1 248, comprising 1 066 permanent staff and 182 contract staff.

GROUP CHIEF EXECUTIVE'S REPORT (continued)

Staff turnover was contained at acceptable levels whilst the industrial relations climate in all business units remained cordial.

A total of 231 attendances were recorded for 16 training courses during the year under review.

Appreciation

I would like to thank our valued clients for their continued support.

I would also like to express my gratitude to the Ministry of Finance, the Reserve Bank of Zimbabwe and all other regulatory bodies for their support and guidance during the year under review.

My gratitude also goes to the Board Chairman and the Directors for their guidance.

Finally, I thank Management and Staff for their dedication to duty and urge them to remain committed as we drive the Group to a better future.

E. N. Mushayakarara
Group Chief Executive

25 March 2010
Harare

ECONOMIC OVERVIEW

WORLD ECONOMY

The global economy is estimated to have receded by 0.5% in 2009 compared to a growth of 3.0% in 2008. This is on the back of a worldwide economic recession and the concomitant decline in world trade from 2.8% in 2008 to -12.3% in 2009 arising mainly from weak demand in more economically advanced economies.

Russia, Japan, the United Kingdom and Italy posted notable declines in output at 7.9%, 5.2%, 4.9% and 5.0% respectively, in 2009. On the other hand, China and Developing Asia recorded positive economic growth rates of 8.7% and 6.6%. A slowdown from 5.5% in 2008 to 2.1% in 2009 is estimated to have been experienced in Sub-Saharan Africa.

In 2010, global economic growth is expected to accelerate to 4.25% in responses to economic stimuli initiatives implemented by more economically advanced countries in the second half of 2009. Consequently, monetary policy has been highly expansionary, with interest rates down to record lows in most advanced and emerging economies. However, the International Monetary Fund (IMF) advised that the varying pace of recovery across countries calls for a differentiated response in the unwinding of measures applied to stimulate the economies and combat the crisis. Moreover, due to the still-fragile nature of the recovery, fiscal policies need to remain supportive of economic activity in the short-term, and the fiscal stimuli measures planned for 2010 should be implemented fully.

DOMESTIC ECONOMY

Following national elections held in March 2008 and a subsequent Presidential run-off held in June 2008, the three major political parties in Zimbabwe formed a transitional Government of National Unity, mandated to draft a new constitution in order to pave way for free and fair elections. A "Global Political Agreement" brokered by the former President of South Africa, Thabo Mbeki, was signed in September 2008 ushering in the transitional Government. The transitional Government adopted a multi-currency regime anchored mainly in the use of the United States Dollar followed by the South African Rand, to the exclusion of the then worthless Zimbabwean Dollar. This move immediately halted the hyperinflationary spiral hitherto experienced and, consequently, economic growth is estimated to have substantially improved from a negative 14.1% in 2008 to a posositive of 5.1% in 2009, this being the first positive growth in a decade.

The economy is estimated to grow by 7.1% in 2010 and is set to record the highest growth in the region in 2010 and 2011. However, in order to achieve such a sustained economic recovery, greater participation by both the private sector and the Government is called for in respect of infrastructure rehabilitation, establishment of strong relationships with the donor community for external financial support, enhancement of deeper financial intermediation, promotion of investment and savings, negotiation of external credit lines for the domestic industry and the enactment and observance of laws that are conducive to foreign direct investment.

REAL SECTORS

Agriculture

Agricultural output generally improved in 2009 on account of a good 2008/09 rainfall season, Government support, financing through contract farming, the support received from trade partners and the de-regulation of the marketing of agricultural produce to enable farmers to sell their produce freely on the open market. Consequently, the Grain Marketing Board (GMB) commenced acting as "buyer of the last resort" with effect from 18 March 2009, when the 2009 national budget was reviewed and the Short-Term Emergency Recovery Programme, (STERP), was launched. These measures as well as some exogenous factors underpinned recoveries in the maize and tobacco sub-sectors. However, production of cotton, wheat, sugar, dairy and horticulture decreased slightly as a result of financial constraints.

ECONOMIC OVERVIEW (continued)

Aggregated, the agricultural sector is estimated to have registered a positive growth of 10% in 2009 from -36% in 2008 and is expected to register a further 10.4% growth in 2010.

Maize output, which had declined by 39.6% to 0.575 million kgs in 2008, substantially gained 160.8% to 1.5 million kgs in 2009. Tobacco output, which had declined by 33% to 48.7 million kgs in 2008, increased 16% to 56.5 million kgs in 2009. Cotton production is estimated to have fallen to 210 million kgs in 2009 from 241.7 million kgs in 2008, due to the decline in cotton hectarage, as a result of poor earnings realised by cotton growers.

However, efforts by government to resuscitate the agricultural sector in 2010 are being constrained by below-average precipitation and high temperatures experienced in January 2010. The Famine Early Warning System Network (FEWSNET) reported that Zimbabwe is staring hunger in 2010, warning that crops in the southern half of the country had wilted due to moisture stress. According to the First Round Crop and Livestock Assessment report, poor rains and hailstorm affected 200 574 hectares of maize out of a total 1 723 990 hectares planted in the 2009/10 season. Areas affected include, among others, Masvingo, Gwanda, Bulawayo and parts of Manicaland. Over 11% of the maize crop planted in the 2009/2010 summer season has thus been declared a complete write-off, thereby eliciting considerable requirement for maize imports in 2010.

Mining

Owing to the deregulation of the mining sector in March 2009, including the removal of surrender requirements to the Reserve Bank of Zimbabwe (RBZ), gold production surged by 35% to 4.2 tonnes in 2009 from 3.1 tonnes in 2008. Several gold mines which ceased operations in 2008 resumed operations and contributed substantially to the gold output, spurred by a buoyant performance of the international price as a consequence of the global economic recession. Platinum output increased by 1.91% from 5.495 tonnes in 2008 to 5.6 tonnes in 2009, also owing to the strengthening of international platinum prices in 2009.

The mining sector to registered a positive growth of 15% in 2009 from -30% in 2008 and a further surge in growth of 40% is expected in 2010, buoyed by the improved performance in gold mining. However, this daunting challenge is likely to be militated against by intermittent power outages which are a result of deferred maintenance of the electricity generation infrastructure as a result of insufficient foreign capital inflows. It is estimated that the amount required for the emergency rehabilitation of the country's electricity generation, transmission and distribution infrastructure is around US$385 million against a 2010 National Budget provision of only US$52.6 million for this purpose. Additionally, anticipated foreign direct investment in the mining sector, albeit meagre, is likely to take a dip in the face of the Indigenisation and Economic Empowerment Act which came into effect on 1 March, 2010. According to the new law, all foreign owned companies, with assets exceeding US$500 000, must cede 51% of their shareholding to Zimbabweans within 5 years. Other sectors discussed below are equally adversely affected by the Law, should its application succeed without moderation and/or modification.

Manufacturing

The manufacturing sector, which recorded a cumulative decline of 91% between 2000 and 2008, is expected to register a positive growth of 8% in 2009 from a negative 29.6% in 2008, having benefited from lines of credit amounting to

ECONOMIC OVERVIEW (continued)

US$72 million and from the 23% share of loans and advances from the banking sector. Furthermore, in response to the adoption of the multi-currency system, the relaxation of price controls, the reduction of customs duty on raw materials and intermediate goods and the removal of customs duty on basic commodities with effect from 18 March 2009, industrial capacity utilisation across sub-sectors increased from low levels of 10% in 2008 to around 40% by the end of 2009. In the food industry, capacity utilisation increased to around 30%, on the back of relatively strong domestic demand and a stable macro-economic environment, experienced from the adoption of the multi-currency system.

Going forward, full recovery in the manufacturing sector will be achieved only if challenges related to obsolete equipment and machinery, technology, provision of lines of credit and power outages are addressed urgently. There is growing need for urgency in implementing measures that enhance re-capitalisation, as companies generally endured under-capitalisation as a result of the prolonged recession the country underwent, over the period 1998 to 2008, when output declined by a cumulative 62%. The Government forecasts a 10% expansion of the manufacturing sector in 2010.

Tourism

The tourism sector was expected to grow by 6.5% in 2009, compared to a decline of 9% that was recorded in 2008. The sector is set to benefit from the lifting of travel warnings to Zimbabwe by, inter-alia, the USA, Sweden and Germany, following the formation of the inclusive Government. Provisional figures from the Zimbabwe Tourism Authority indicate that the number of tourist arrivals in Zimbabwe increased by 3.11% to 2 017 262 during 2009 from 1 956 439 in 2008. Of the 297 262 tourist arrivals recorded in 2009, Africa contributed 83.3%, followed by Europe with a contribution of 7.73%, while Asia and America contributed 3.8% and 2.9%, respectively. The Oceania and Middle East markets combined contributed 2.3%, with Israel accounting for 63% of all arrivals from the Middle East, and Australia accounting for 60% of the Oceanic market in the first half of 2009. Despite the positive performance in tourist arrivals, average hotel room occupancy levels fell from 39% to 31% in the first half of 2009, while bed occupancy levels fell from 28% to 24%.

The tourism sector is projected to record a further 10% growth in 2010. Political stability remains a priority for achieving the projected growth and hence, Government and stakeholders need to complement efforts towards national image building.

MONETARY AND FISCAL DEVELOPMENTS

Money Supply Growth

Official money supply figures from the RBZ remained outdated over the period under review, with the latest IMF statistics indicating that broad money supply (M3) increased by 328% from US$297.6 million in January 2009 to US$1 276 million in December 2009. In the absence of issuance of notes and coins by the RBZ, computation and reliability of these figures remains highly questionable. Capital inflows and outflows continue to determine the money supply levels. In fact, the Central Bank's ability to measure growth in money supply with a reasonable degree of accuracy is rendered difficult by the high level of circulation of money in the informal sector.

Inflation

Availability of inflation data from the Central Statistical Office (CSO) improved significantly in 2009, with the latest statistics indicating that the year-on-year rate of inflation for December 2009 stood at -7.7%. The negative year-on-year inflation rate realised in December 2009, compared with the last reported year-on-year inflation figure of 231 million percent in July 2008, is the product of the adoption of the multi-currency system, which enabled the correctional re-valuation of the United States Dollar, the latter having suffered incremental artificial devaluation, as a result of hyperinflation, prior to the adoption of the multi-currency system. On a monthly basis, inflation

ECONOMIC OVERVIEW (continued)

averaged -0.7% during the period under review.

In the short to medium term, however, year-on-year inflation is expected to move from the deflationary zone to an annual average of 5.1% in 2010, emanating from exchange rate volatility between the US dollar and the South African Rand as well as liquidity shortages on the money market, whose impact is to substantially raise the cost of funds. Furthermore, exogenous factors such as the expected increase in international oil prices in 2010 are expected to have a significant upward pressure on inflation. The International Monetary Fund (IMF) expects oil prices to increase by 22.6% in 2010 from an average price of US$62.00 in 2009.

Money Market and Interest Rates

During the period under review, the benchmark London Inter-Bank Offered Rate (LIBOR) remained depressed, reflecting the near zero percent interest rate policies that were maintained by the central banks of the US and the European Union, among others, in 2009. In fact, the 90-days LIBOR interest rate declined by 79.1% from 1.21% in January 2009 to 0.25% in December 2009, while the 1 year LIBOR interest rate fell by 47.47% from 1.9024% to 0.9993% over the same period. However, the SA Reserve Bank maintained both the Repurchase and Prime interest rates unchanged at 7.0% and 10.5%, respectively in December 2009, as it attempted to balance between credit expansion and inflation control.

Following a period of inactivity during the first three quarters of 2009, activity on the money market picked up in the last quarter of 2009, with the GMB grain bill tenders being over-subscribed. The GMB issue which was held on 10 December 2009 received support totalling US$2.95 million against a target of US$2.5 million which was a significant improvement on the grain-dealer's November 2009 tender that was under-subscribed. The November 2009 GMB bill attracted total bids of US$ 1 895 000 with US$1 630 000 being allotted. The weighted average rate for the allotment was 21.32%, with the highest bid of 40% and the lowest bid of 15%, for the 90 day bill. Compared to the November 2009 weighted average rate of 21.32%, the December 2009 tender's weighted average rate firmed to 23.49%, with the highest bid at 30% and the lowest bid at 20%.

Going forward, the continued shortage of liquidity on the money market is expected to result in higher interest rates for short-term instruments in this market, thereby providing an alternative investment destination to the equities market.

Equities market

After ceasing trade on 21 November 2008, the Zimbabwe Stock Exchange (ZSE) resumed trade on 19 February 2009, and all indices were reset to 100, to facilitate resumption of transactions in American dollars. During the period under review, the equities market remained the dominant investment vehicle, as the money market only showed positive activity in the fourth quarter. Resultantly the mining and industrial indices rose by 82.3% and 52%, respectively. The ZSE market capitalisation rose substantially to US$4.3 billion as at 31 December 2009, registering a 213.6% growth from a capitalisation of US$1.37 billion in February 2009. According to the ZSE more than 4.5 billion shares worth US$413,976,724 exchanged hands on the local bourse between 19 February 2009 and 31 December 2009.

In the outlook period, activity on the ZSE is likely to increase following the reduction in transaction costs from 7.5% to 3.21% in line with the regional average of 3.5%. However, performance of the ZSE is likely to be adversely affected by the Indigenisation and Empowerment Law, as already discussed under the "Mining" section above, as well as the acute shortages of liquidity on the money market.

Financial Sector

According to the RBZ there were 27 banking institutions, 16 licensed asset management and 95 operating microfinance institutions, as at 31 December 2009. In terms of the structure of banking institutions, there were 17 commercial banks, 4 merchant banks, 4 building societies, 1 discount house and 1 savings bank. The RBZ announced that it was still considering two applications for Microfinance bank licensing as the country aims to revive the Small to Medium Enterprises (SMEs).

With respect to financial intermediation, banking sector deposits amounted to US$1.33 billion as at 18 December 2009, against loans and advances of US$639.28 million over the same period. Thus, given the average loans to deposits

ECONOMIC OVERVIEW (continued)

ratio of 48.1%, the RBZ encouraged banking institutions to improve financial intermediation to levels commensurate with total deposits in the banking sector, further highlighting that the central bank's preferred lending by sector thresholds were 30% to agriculture, 25% to mining, 25% to manufacturing and 20% to other sectors.

In the short to medium term, bank deposits are expected to remain short-term, thus transitory in nature, partially reflecting low income levels, low confidence in the banking system and the inclination towards a cash economy and generally low liquidity.

Public Finance

Revenue collections failed to reach the target by 5.2% after cumulative collections reached US$988.5 million by 31 December 2009, against a projected target of US$1.04 billion. Value Added Tax (VAT) contributed 37%, customs duty 20% and individual tax contributed 15% percent to total revenue collections. VAT collections stood at US$370 million against a target of US$405 million.

Customs duty accounted for US$200 million and excise duty at US$76.6 million, against a target of US$60.4 million, yielded a positive variance of 32%. Individuals contributed US$152 million against a target of US$178 million. Individual tax failed to meet the set target as most companies were struggling to pay employees, with some retrenching or closing shop temporarily pending recapitalisation. Companies contributed 6% to total revenue, missing the target by 44% by contributing US$45 million against a target of US$80 million. Companies failed to contribute meaningfully to the fiscus as most of them were still operating below capacity, exacerbated by serious shortages of working capital.

The economy will generally continue to be dependent on imports mainly from South Africa in 2010. Indirect taxes inclusive of VAT, Customs Duty and Excise Duty amongst others accounted for 74% of total revenue from January to October 2009, compared to an average of 44% over the period 1996 to 2004. A reversal of the current trend will require a sharp increase in industrial capacity utilisation and commensurate growth in employment levels.

EXTERNAL SECTOR

Export Shipments

During the period under-review, total export shipments amounted to US$1.253 billion compared to US$1.375 billion in 2008, representing an 8.8% decline, owing to the depressed global economic activity and exports market. Meanwhile, total imports payments declined by 18.24% from US$1.801 billion in 2008 to US$1.473 billion in 2009, owing to the significant improvement in the economy and the reopening of manufacturing industries, on the one hand, and shortage of liquidity on the other. On a sectoral basis, the mining export shipment accounted for 51%, although mineral export shipments declined by 4.94% to US$647.44 million in 2009 from US$681.06 million in 2008 due to the global economic recession. Meanwhile tobacco, agriculture and manufacturing accounted for 22%, 13% and 12% of the total export shipments, respectively.

Due to the poor liquidity conditions and the absence of meaningful lines of credit, export proceeds contributed significantly to the total funding for imports, accounting for 73%, whilst offshore lines of credit and inter-bank loans accounted for 24% and 3%, respectively, in 2009. On a sectoral basis, services and mining accounted for the largest import share of 36% and 31%, respectively due to improved mining operations and the upgrading of the telecommunications services. Meanwhile, agriculture, goods, manufacturing and distribution accounted for 13%, 17%, 10% and 9% respectively of the import payments.

In the short-to-medium term, export shipments are expected to remain generally depressed due to working capital constraints, obsolete equipment, poor credit lines and uncompetitive exports. The overall strength of the recovery will depend on the growth performance in key export markets and foreign investment partners, particularly from the US, the European Union, and China. Being agro-based, value addition by way of agro-processing, for exports, would be effective in alleviating trade deficits for the country, in the medium to long term.

ECONOMIC OVERVIEW (continued)

External Debt

Government remains in debt distress with a total public debt of US$5.7 billion as at 31 December 2009, representing a 62.9% increase from the US$3.5 billion recorded in 2000 when external payments arrears started accumulating. The Government owes bilateral creditors an amount of US$2.4 billion and US$2.1 billion to multilateral creditors, with the World Bank being the largest multilateral creditor accounting for 54.3% of the total debt owed to multilateral institutions in 2009. Overall such an unsustainable external debt burden undermines the country's credit rating and hence its capacity to source offshore finance for developmental projects and programmes. The Minister of Finance proposed to set up a Debt Management and Clearance office in the Ministry of Finance in 2010 with the objective of coming up with an agreed National Debt Reduction and Arrears Clearance Strategy which takes cognisance of the country's capacity, growth objectives as well as creditors' interests.

One such option is via the Heavily Indebted Poor Country (HIPC) route, which could enable cancellation of the country's debt, but it has several factors that need to be considered, which include, among others, the following:

- It does not bring additional funding for the development needs of poor countries. This means that poor countries may have to continue contracting new debt to meet developmental needs.
- HIPC status also takes time to reach its completion point. Originally the time lag between the decision and completion points was three years.
- Eligible countries have to establish a track record of economic reform for at least three years before receiving bilateral relief and six years before receiving multilateral relief. The HIPC initiative requires countries that want debt relief to carry out Structural Adjustment Policies (SAPs). SAPs can reform economies in positive ways but can also contribute to poverty.
- Privatisation is a pre-condition for World Bank and IMF loans regardless of the extent or effectiveness of public ownership in a particular country. State enterprises and services have increasingly been labelled as inherently inefficient, an obstacle to free competition, and a constraint to private-sector-led growth.
- Strategic services i.e. Public Utilities can be placed under foreign control, for example electricity, water and telecommunications, therefore owners would respond to interests of foreign capital and strategic considerations rather than to local needs.
- Trade liberalisation and Privatisation may also lead to negative externalities such as rapid influx of cheap goods due to premature liberalisation.

In the outlook period, the authorities need to relentlessly pursue a viable debt clearing strategy, so that the country eventually receives balance of payments support from the IMF, given the low levels of liquidity in the economy.

Exchange Rate Management

Due to the abolishment of the use of the Zimbabwean dollar in December 2008, the Central Bank's role in exchange rate management has been rendered obsolete. The last trading results before the abolishment of the Zimbabwe dollar shows that Zimbabwe dollar traded against the US Dollar at a mid rate exchange rate of Z$360/US$1. The RBZ is only to resume the exchange rate management function upon the re-introduction of the Zimbabwean dollar. However, the Zimbabwe Government has unanimously resolved to continue with the multi-currency regime up to 2012.

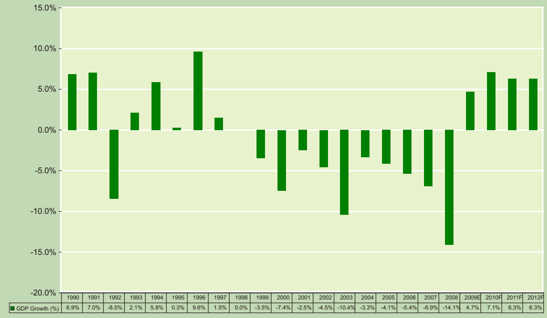
Economic Outlook

The outlook period remains uncertain owing to general apprehension regarding the manner in which the Indigenisation and Empowerment Act is going to be implemented. Wide consultations in this regard will be critical in addressing investor anxiety and soliciting business' support for the legislation.

High external debt also remains an obstacle for economic growth, as the country continues to incur balance of payments deficits, with no matching support from the IMF and the pending clearance of debts owed to multilateral creditors. There is need for a credible macroeconomic plan, and the authorities should be consistent in policy making, in order for the country to realise the projected economic growth rates. Furthermore, political and economic stability remain the key priorities for successful economic recovery.

ECONOMIC OVERVIEW (continued)

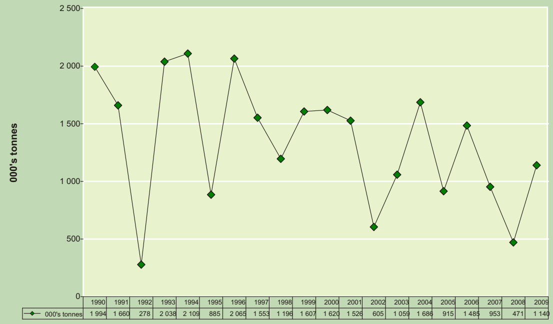
GROSS DOMESTIC PRODUCT GROWTH RATE (%)



	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009E	2010F	2011F	2012F
GDP Growth (%)	6.9%	7.0%	-8.5%	2.1%	5.8%	0.3%	9.6%	1.5%	0.0%	-3.5%	-7.4%	-2.5%	-4.5%	-10.4%	-3.3%	-4.1%	-5.4%	-6.9%	-14.1%	4.7%	7.1%	6.3%	6.3%

ZB Financial Holdings

MAIZE OUTPUT (1990-2009)



	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
000's tonnes	1 994	1 660	278	2 038	2 109	885	2 065	1 553	1 196	1 607	1 620	1 526	605	1 059	1 686	915	1 485	953	471	1 140

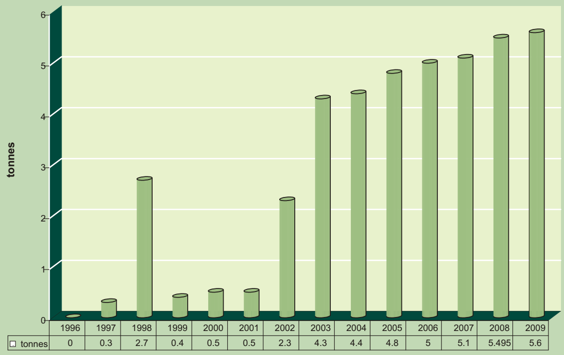
ZB Financial Holdings

GOLD OUTPUT (1990-2010e)

	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010 E
Tonnes	16.9	17.8	18.3	18.6	20.5	24	24.7	24.2	25.2	27.1	22.1	18	15.5	12.6	21.3	14	11.4	7	3.1	4.2	5.2

ZB Financial Holdings

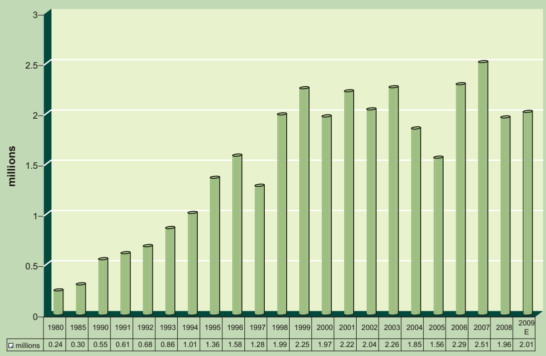
PLATINUM OUTPUT (1996-2009)



	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
tonnes	0	0.3	2.7	0.4	0.5	0.5	2.3	4.3	4.4	4.8	5	5.1	5.495	5.6

ZB Financial Holdings

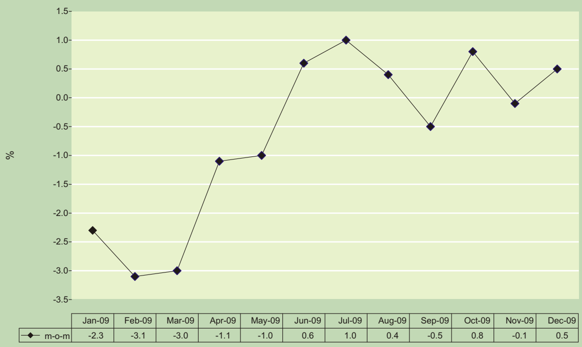
TOURIST ARRIVALS (1980-2009e)



	1980	1985	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009 E
millions	0.24	0.30	0.55	0.61	0.68	0.86	1.01	1.36	1.58	1.28	1.99	2.25	1.97	2.22	2.04	2.26	1.85	1.56	2.29	2.51	1.96	2.01

ZB Financial Holdings

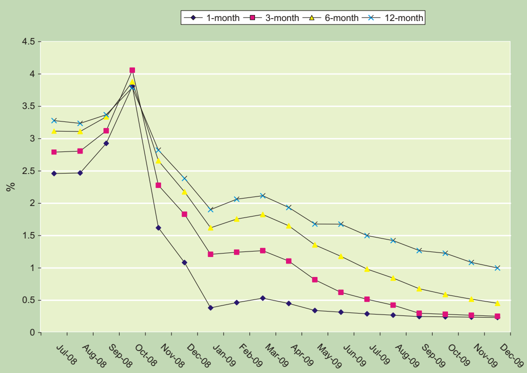
Month-on-Month Inflation Rate - 2009



	Jan-09	Feb-09	Mar-09	Apr-09	May-09	Jun-09	Jul-09	Aug-09	Sep-09	Oct-09	Nov-09	Dec-09
m-o-m	-2.3	-3.1	-3.0	-1.1	-1.0	0.6	1.0	0.4	-0.5	0.8	-0.1	0.5

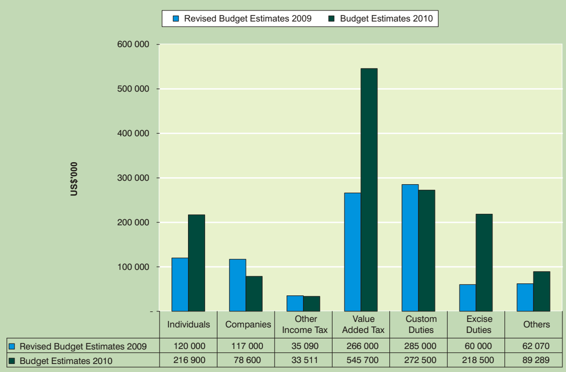
ZB Financial Holdings

LONDON INTERBANK OFFERED RATE (LIBOR)



ZB Financial Holdings

CLASSIFICATION OF REVENUE BY SOURCE : 2009 - 2010



	Individuals	Companies	Other Income Tax	Value Added Tax	Custom Duties	Excise Duties	Others
Revised Budget Estimates 2009	120 000	117 000	35 090	266 000	285 000	60 000	62 070
Budget Estimates 2010	216 900	78 600	33 511	545 700	272 500	218 500	89 289

ZB Financial Holdings

REPORT OF THE DIRECTORS

The Directors have pleasure in presenting their report to shareholders for the year ended 31 December 2009.

Share capital

The authorised share capital of the Company remained unchanged at 1 000 000 000 shares. The issued share capital increased from 159 188 342 shares to 175 188 342 shares following the release of 16 000 000 shares to former unit holders in Financial Services (Private) Limited (FINSERVE) in execution of a share swap transaction approved by the members on 2 March 2007 in which the Group acquired the minority interest in ZB Bank Limited for it to become a 100 percent subsidiary of the Group.

15 601 006 shares alloted to former Intermarket Holdings Limited (IHL) non-controlling interests in settlement of the acquisition of a stake in that Group in 2007 remain unlisted on the Zimbabwe Stock Exchange pending the finalisation of the litigation in which some former non-controlling interests in IHL are challenging the acquisition by ZB Financial Holdings Limited (ZBFH) of the majority shareholding in thatGroup. The matter is currently before the Supreme Court of Zimbabwe.

At the last Annual General Meeting, members of the Group approved the re-denomination of the authorised share capital of the Group to US$0.01 for each share. With values on the statement of financial position having stabilised substantially, members will be asked to approve the cancellation of shares currently in issue and denominated in Zimbabwe Dollars in exchange for new shares denominated in United States Dollars.

Financial results

Reporting basis

The financial information is presented in United States Dollars, being the adopted functional currency of the Group following the de-facto suspension of the Zimbabwean Dollar in February 2009 and the introduction of trading in multiple hard currencies.

No comparative information has been presented for the statement of comprehensive income, statement of cash flows and statement of changes in equity as management assessed that such information in United States Dollars would misleading for the reasons stated in note 33. The Directors have elected to comply with the guidance in the Joint Media Statement on The Impact on Financial Reporting as a Consequence of The Change In Functional Currency (the Financial Reporting Guidance) issued jointly by the Public Accountants and Auditors Board ("PAAB"), the Zimbabwe Accounting Practices Board ("ZAPB") and the Zimbabwe Stock Exchange ("ZSE") in July 2009.

Financial out-turn

The financial statements presented do not comply with International Financial Reporting Standards (IFRS) for reasons articulated in note 3.1.2 to the financial statements.

The Directors have ensured that every effort was made to comply with the transitional arrangements generally adopted for the conversion from Zimbabwe Dollar financial balances to United States Dollar balances upon the introduction of the multiple-currency regime. However, for reasons given in notes 31 to 34 of the financial statements, stakeholders are urged to exercise caution in using the financial statements for critical decision making purposes.

REPORT OF THE DIRECTORS (continued)

The Group posted an overall profit for the year amounting to US$112 312, with a loss of US$ 1 103 779 being attributable to the equity holders of the parent Company. The net increase in equity arising from other comprehensive income amounted to US$8 402 526.

Total assets amounted to US$124 730 896.

Dividends

Given the prevailing difficult economic environment, the Board of Directors does not consider it prudent to recommend a dividend for the year under review. A greater need exists for capital consolidation as the Group repositions itself in a changing macro-economic environment.

Directors' responsibility statement

The Directors of the Group take full responsibility for the preparation and the integrity of the annual financial statements and financial information included in this report. This responsibility also includes: designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

In designing and implementing the systems of internal control the Directors aim to provide reasonable but not absolute assurance as to the reliability of the financial statements, to adequately safeguard, verify and maintain accountability of assets, and to prevent and detect material misstatement and loss. The systems are implemented and monitored by suitably trained personnel with an appropriate segregation of authority and duties. Nothing has come to the attention of the Directors to indicate that any material breakdown in the functioning of these controls, procedures and systems has occurred during the year under review.

The Group Audit Committee consists mainly of non-executive Directors. The committee meets regularly with the Group's internal and external auditors and executive management to review accounting, auditing, internal control and reporting matters.

The internal and external auditors have unrestricted access to the Audit Committee.

The financial statements which appear on pages 43 to123 were approved by the Board on 25 March 2010.

The Group's independent external auditors, Deloitte & Touche, have audited the financial statements and their report is attached to these financial statements.

Going concern

The Directors have reviewed the operational and capital budgets as well as cash flows for the year ending 31 December 2010. On the basis of the review, and other business sustainability assessments, the Directors have no reason to believe that the Group will not be a going concern for the foreseeable future. The going concern basis has therefore been adopted for the preparation of these financial statements.

REPORT OF THE DIRECTORS (continued)

Special resolutions

Special resolutions were passed during the year to transact the following business:

a) To re-denominate the authorised share capital of the Company from Zimbabwe Dollars to United States Dollars.
b) To allow the Company to embark on a share-buy back scheme. This authority limits the number of shares subject to the scheme to 10% of the issued share capital of the Company and is valid up to the date of the next Annual General Meeting.

Directors

In terms of Article 68 of the Articles of Association of the Company, Mr M.N. Ndudzo retires by rotation and, being eligible, offers himself for re-election.

Messrs Tamsanqa P. B. Mpofu and Elliot Munemo were appointed to the Board of Directors after the last Annual General Meeting and, being eligible, offer themselves for election.

Sadly, on 21 August 2009 Mr Richard C. Hove, then Chairman of the Board of Directors, passed away. Mr Hove's wise counsel will be missed by his colleagues on the Board and the Group as a whole.

On 27 November 2009 Mr Bothwell P. Nyajeka was duly elected by the Directors as the new Chairman of the Board.

The following directors held shares, directly or indirectly, in the Company as at 31 December 2009:

Director's name	Number of shares held
E N Mushayakarara	13 875
F Kapanje	1 111

Auditors

Having served the Group for more than five years Messrs Deloitte & Touche of Harare retire as Auditors of the Company in terms of Section 41 (4) of the Banking Act (Chapter 24:20). Shareholders will be required to appoint external auditors for the ensuing year.

By order of the Board

B. P. Nyajeka (Chairman)	E. N. Mushayakarara (Group Chief Executive)	C. T. Kathemba (Company Secretary)

HARARE
25 March 2010

BOARD OF DIRECTORS

B. P. Nyajeka (Chairman), E.N. Mushayakarara (Group Chief Executive), F. Kapanje, T. P. B. Mpofu, E. Munemo, M. N. Ndudzo
J. D. Nhavira

EXTRACT FROM THE REPORT OF THE ACTUARY

For the year ended 31 December 2009

INSURANCE ACT 1987 (Sections 24 and 30)

INSURANCE REGULATIONS, 1989 (Sections 3 and 8)

CERTIFICATE AS TO SOLVENCY OF AN INSURER, WHO CARRIED ON LIFE ASSURANCE BUSINESS ONLY

I hereby certify that, to the best of my knowledge and belief, the value of the assets, including shareholders' funds, in respect of all classes of life assurance business carried on by

ZB LIFE ASSURANCE LIMITED

AT 31 DECEMBER 2009

exceeds the amount of the liabilities in respect of those classes of insurance business by US$ 8 988 291.

C. Greeff

CJB Greeff FASSA FFA
Consulting Actuary to the Insurer

30 April 2010

EXTRACT FROM THE REPORT OF THE ACTUARY (continued)

For the year ended 31 December 2009

CERTIFICATE OF THE CONSULTING ACTUARY

To the Directors,

ZB LIFE ASSURANCE LIMITED

Actuarial liabilities at 31 December 2009

I certify that the actuarial liabilities of

ZB Life Assurance Limited

at 31 December 2009 were as follows:

Type of Business	**US$**
Life Assurance Business	1 928 770
Retirement Annuity Pensions; Group Pensions; Immediate and Deferred Annuities	9 831 786
Total	11 760 556

CJB Greeff FASSA FFA
Consulting Actuary to the Insurer

30 April 2010

Deloitte.

REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF ZB FINANCIAL HOLDINGS LIMITED

For the year ended 31 December 2009

We have audited the Group financial statements of ZB Financial Holdings Limited, which comprise the consolidated statement of financial position at 31 December 2009, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity, and the consolidated statement of cash flows for the year then ended, and the notes to the consolidated financial statements, which include a summary of significant accounting policies and other explanatory notes as set out on pages 43 to 123.

Directors Responsibility for the Financial Statements

The directors of the Group are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and the provisions of the Companies Act (Chapter 24:03),the Banking Act (Chapter 24:20), the Asset Management Act (Chapter 24:26), the Building Society Act (Chapter 24:02), the Insurance Act (Chapter 24:07) and the relevant regulations made thereunder. This responsibility includes: designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

The Directors have elected to comply with the guidance in the Joint Media Statement On The Impact On Financial Reporting as a Consequence of The Change In Functional Currency ('the Financial Reporting Guidance') issued jointly by the Public Accountants and Auditors Board ("PAAB"), the Zimbabwe Accounting Practices Board ("ZAPB") and the Zimbabwe Stock Exchange ("ZSE") in July 2009.

Auditor's Responsibility

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

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

Our audit report has been modified in the manner in which we report on the compliance of these financial statements with provisions of the Companies Act (Chapter 24:03) and the relevant Statutory Instruments (SI 33/99 and SI 62/96), as set out in the guidance and recommendations on audit reports issued jointly by the Public Accountants and Auditors Board, the Zimbabwe Stock Exchange and the Zimbabwe Accounting Practices Board in July 2009 and clarified in March 2010 ("the Guidance on Audit Reports").

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

REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF ZB FINANCIAL HOLDINGS LIMITED (continued)

For the year ended 31 December 2009

Basis for adverse opinion on financial performance and cash flows

Non-compliance with International Accounting Standard ('IAS') 29 (Financial Reporting in Hyperinflationary Economies) and International Accounting Standard ('IAS') 21 (The Effects of Changes in Foreign Exchange Rates)

The Group operated in a hyperinflationary economy in the prior year. The entity changed its functional currency to United States Dollars with effect from 1 January 2009. All comparative information, the income statement, the statement of comprehensive income, the statement of cash flows and the statement of changes in equity have not been prepared in conformity with International Financial Reporting Standards in that the requirements of IAS 29 and IAS 21 have not been complied with in converting the financial information during the period of hyperinflation into an applicable measurement base at the date of reporting for the following reasons:

- the inability to reliably measure inflation because of the interaction of multiple economic factors which were pervasive to the Zimbabwean economic environment as explained in note 31; and
- the inability to adjust items that were recorded the Zimbabwe Dollars into United States Dollars at the date of change of functional currency as more fully explained in note 32.

The impact of the above factors on the current year financial statements is more fully explained in Note 31.

Non-compliance with IAS 1: Presentation of Financial Statements

The Directors have not presented any comparative information as required by IAS 1 because they believe that the information will be misleading for reasons stated in note 33.

Adverse opinion on financial performance and cash flows

In our opinion, because of the significance of the matters described in the Basis for Adverse Opinion paragraph, the financial statements do not give a true and fair view of the Group's financial performance and cash flows for the year ended 31 December 2009 in accordance with International Financial Reporting Standards.

Unqualified opinion on the financial position

In our opinion, the financial statements, in all material respects, give a true and fair view of the financial position of ZB Financial Holdings Limited at 31 December 2009 in accordance with International Financial Reporting Standards.

Report on other legal and regulatory requirements

In our opinion, the financial statements have not been properly prepared in compliance with the disclosure requirements of the Companies Act (Chapter 24:03), the Banking Act (Chapter 24:29), the Asset Management Act (Chapter 24:26), th Building Society Act (Chapter 24:02), the Insurance Act (Chapter 24:07) and Statutory Instruments (SI 33/99 and SI 62/96) due to the inability to comply with IAS 1 and IAS 21.

In our opinion, the Group has complied, in all material respects, with the Financial Reporting Guidance. This guidance was issued jointly by the Public Accountants and Auditors Board, the Zimbabwe Stock Exchange and the Zimbabwe Accounting Practices Board to assist preparers of financial statements in converting their financial statements from Zimbabwe Dollars into

REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF ZB FINANCIAL HOLDINGS LIMITED (continued)

For the year ended 31 December 2009

their new functional currency in a manner that is consistent with the principles of IFRS, in as far as is practicable, in the Zimbabwean economic environment, at the date of the change of functional currency.

Emphasis of matter

Without further qualifying our opinion, we draw your attention to Note 31 and the following paragraphs, which along with other matters, indicate that, the Group is operating in an uncertain economic environment.

Going concern assumption

The operations of the Group have been significantly affected and may continue to be affected for the foreseeable future, by the adverse effects of the country's unstable economic environment, which has resulted in a significant downturn in economic activity. The ability of the Group to continue operating as a going concern in such an environment is subject to continual assessment by management.

Fair value determination for transactions, assets and liabilities

The determination of fair values presented in the financial statements is affected by the prevailing economic environment and may therefore be distorted. This may result in significant variations in fair values, depending on factors and assumptions used in the determination of the fair values. The significant assumptions and the estimation uncertainties have been disclosed in Note 2.4 to these financial statements.

Prescribed asset ratio

Non compliance with the Insurance Act (Chapter 24:07) in respect of the prescribed asset ratio.

Deloitte & Touche

Deloitte & Touche
Harare, Zimbabwe

25 March 2010

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 31 December 2009

	Notes	2009 US$	Unaudited 1 Jan 2009 US$
ASSETS			
Non-current assets			
Property and equipment	5	36 067 732	29 258 389
Intangible assets	6	2 894 572	3 361 363
Investment properties	7	7 808 775	6 556 387
Properties in possession		18 000	18 000
Investments in associates	8	1 513 947	1 034 731
Financial assets	9	22 654 767	13 964 984
Mortgage advances	10	1 130 642	-
Deferred tax asset		48 020	-
Total non-current assets		72 136 455	54 193 854
Current assets			
Other financial assets	9	1 648 236	-
Advances and other accounts	10	22 393 910	2 688 932
Other assets	11	2 386 592	2 421 116
Cash and short term funds	12	26 165 703	7 862 535
Total current assets		52 594 441	12 972 583
TOTAL ASSETS		124 730 896	67 166 437
EQUITY AND LIABILITIES			
Capital and reserves			
Issued capital	13	160 000	-
Share premium	13	1 680 000	-
Accumulated loss	13	(1 728 279)	-
Other components of equity	13	33 990 910	25 883 468
		34 102 631	25 883 468
Non-controlling interests	13	10 787 259	10 226 032
Total equity		44 889 890	36 109 500
Non-current liabilities			
Life assurance funds	15	11 749 589	6 266 330
Deferred tax liabilities	16	3 174 260	4 466 791
Long term provisions	17	1 424 152	4 477 311
Total non-current liabilities		16 348 001	15 210 432

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)

As at 31 December 2009

	Notes	2009 US$	Unaudited 1 Jan 2009 US$
Current liabilities			
Trade and other payables	17	10 857 587	6 125 977
Current tax payable		395 573	-
Amounts clearing to other banks		2 236	-
Deposits and other accounts	18	52 237 609	9 720 528
Total current liabilities		63 493 005	15 846 505
Total liabilities		79 841 006	31 056 937
TOTAL EQUITY AND LIABILITIES		124 730 896	67 166 437

For and on behalf of the Board

....	....	....
B. P. Nyajeka	E. N. Mushayakarara	C. T. Kathemba
(Chairman)	(Group Chief Executive)	(Company Secretary)

25 March 2010

COMPANY STATEMENT OF FINANCIAL POSITION

As at 31 December 2009

	Notes	2009 US$	Unaudited 1 Jan 2009 US$
ASSETS			
Non-current assets			
Investments in subsidiaries	8.2	33 637 193	24 930 971
Quoted investments		244 935	3 036
Total non-current assets		33 882 128	24 934 007
Current assets			
Other assets		11 504	-
TOTAL ASSETS		33 893 632	24 934 007
EQUITY AND LIABILITIES			
Capital and reserves			
Issued capital	13	160 000	-
Reserves		11 820 980	-
Other components of equity		21 672 164	24 933 977
Total equity and reserves		33 653 143	24 933 977
Non- current liabilities			
Deferred tax liabilities		983	30
Current liabilities			
Trade and other payables		238 263	-
Current tax payable		1 243	-
Total current liabilities		239 506	-
Total liabilities		240 489	30
TOTAL EQUITY AND LIABILITIES		33 893 632	24 934 007

For and on behalf of the Board

B. P. Nyajeka (Chairman)	E. N. Mushayakarara (Group Chief Executive)	C. T. Kathemba (Company Secretary)

25 March 2010

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2009

	Notes	2009 US$
Interest income	19	4 148 817
Interest expense	19	(1 111 207)
Net interest income		3 037 610
Gross reinsurance premium income		12 097 262
Gross life assurance premium income		2 578 017
Other operating income	20	8 381 184
Fair value adjustments	21	8 704 426
Total income		34 798 499
Operating expenses	22	(23 216 696)
Reinsurance expenses		(6 246 978)
Life assurance expenses		(555 553)
Operating income before risk provisions and taxation		4 779 272
Specific and general risk provisions	10	(226 217)
Impairment of goodwill		(21 376)
Transfer to life assurance funds		(5 483 259)
Share of associate companies' profit before taxation		(172 317)
Loss before taxation		(1 123 897)
Income tax credit	23	1 236 209
Profit for the year		112 312
(Loss)/profit attributable to:		
Owners of parent		(1 103 779)
Non-controlling interests		1 216 091
Profit for the year		112 312
Loss per share		
Basic and fully diluted loss per share	24	(0.01)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2009

	Notes	2009 US$
Profit for the year		112 312
Other comprehensive income:		
Gains on property revaluation	13.6	8 809 072
Share of associate companies' revaluation reserve	13.6	392 699
Income tax relating to components of other comprehensive income	13.6	(555 069)
Other comprehensive income for the year, net of tax		8 646 702
Total comprehensive income for the year		8 759 014
Total comprehensive income attributable to:		
Owners of the parent		7 622 013
Non-controlling interests		1 137 001
		8 759 014

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2009

	Ordinary shares US$	Share premium US$	General reserve US$	Properties revaluation reserve US$	Functional currency conversion reserve US$	Accumulated loss US$	Attributable to equity holders of parent US$	Non-controlling interests US$	Total US$
Balance at 1 January 2009	-	-	-	-	25 883 468	-	25 883 468	10 226 032	36 109 500
Changes in equity for 2009:									
Issue of share capital	160 000	1 680 000	-	-	(1 822 500)	-	17 500	1 822 500	1 840 000
Arising from acquisition of subsidiary	-	-	-	-	(1 057 322)	-	(1 057 322)	(761 302)	(1 818 624)
Total comprehensive income for the year	-	-	-	8 725 792	-	(1 103 779)	7 622 013	1 137 001	8 759 014
General provision on doubtful debts	-	-	115 507	-	-	(115 507)	-	-	-
Transfer from retained income	-	-	1 311 481	-	834 484	(508 993)	1 636 972	(1 636 972)	-
Balance at 31 December 2009	160 000	1 680 000	1 426 988	8 725 792	23 838 130	(1 728 279)	34 102 631	10 787 259	44 889 890

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2009

	Notes	2009 US$
Cash flows from operating activities	25	20 119 671
Income taxes paid		(250 752)
Net cash generated from operating activities		19 868 919
Cash flows used in investing activities		
Purchase of property and equipment		(194 775)
Purchase of intangible assets		(30 796)
Purchase of investment properties		(120 000)
Proceeds on disposal of property and equipment		57 722
Acquisition of equity investments		(2 426 271)
Proceeds on disposal of equity investments		1 420 289
Acquisition of investment in associate		(271 920)
Net cash used in investing activities		(1 565 751)
Net increase in cash and short term funds		18 303 168
Cash and short term funds at beginning of the year		7 862 535
Cash and short term funds at end of the year		26 165 703
Cash and short term funds comprise:		
- Cash		9 302 951
- Local bank accounts		10 106 755
- Foreign bank accounts		6 755 997
		26 165 703

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2009

1. NATURE OF BUSINESS

ZB Financial Holdings Limited, which is incorporated and domiciled in Zimbabwe, and is listed on the Zimbabwe Stock Exchange, acts as a Holding Company for a group of companies whose business is the provision of commercial, merchant banking and other financial services (together, "the Group"). The address of its registered office and principal place of business is ZB House, Corner. Speke Avenue and First Street, Harare, Zimbabwe.

The Company is registered under registration number 1278/89.

2. CHANGES IN ACCOUNTING POLICIES, CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

2.1 Standards and Interpretations affecting amounts reported in the current year

The following new and revised Standards and Interpretations have been adopted in the current year and have affected the amounts reported in these financial statements. Details of other Standards and Interpretations adopted in these financial statements but that have had no effect on the amounts reported are set out in section 2.2.

IAS 1 (as revised in 2007) *Presentation of Financial Statements*	IAS 1(2007) has introduced terminology changes (including revised titles for the financial statements) and changes in the format and content of the financial statements
IFRS 8 *Operating Segments*	IFRS 8 is a disclosure Standard that has resulted in a re-designation of the Group's reportable segments (see note 4).
Improving Disclosures about Financial Instruments (Amendments to IFRS 7 Financial Instruments: Disclosures)	The amendments to IFRS 7 expand the disclosures required in respect of fair value measurements and liquidity risk.
Amendments to IAS 7 *Statement of Cash Flows (adopted in advance of 1 January 2010)*	The amendments (part of *Improvements to IFRSs* (2009)) specify that only expenditures that result in a recognised asset in the statement of financial position can be classified as investing activities in the statement of cash flows. Consequently, cash flows in respect of effective date of development costs that do not meet the criteria in IAS 38 Intangible Assets for capitalisation as part of an internally generated intangible asset (and, therefore, are recognised in profit or loss as incurred) have been reclassified from investing to operating activities in the statement of cash flows.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2009

2. CHANGES IN ACCOUNTING POLICIES, CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (continued)

2.1 Standards and Interpretations affecting amounts reported in the current year (continued)

IFRS 9 *Financial Instruments*

The Group has adopted IFRS 9 Financial Instruments (IFRS 9) in 2009 in advance of its effective date. The Group has chosen 31 December 2009 as its date of initial application (i.e. the date on which the Group has assessed its existing financial assets) as this is the first reporting period end since the Standard was issued on 12 November 2009.

IFRS 9 specifies how an entity should classify and measure its financial assets. It requires all financial assets to be classified in their entirety on the basis of the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. Financial assets are measured either at amortised cost or fair value.

Debt instruments are measured at amortised cost only if:

(i) the asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows; and

(ii) the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

If either of the two criteria is not met the financial instrument is classified as at fair value through profit or loss (FVTPL).

Additionally, even if the asset meets the amoritsed cost criteria, the Group may choose at initial recognition to designate the financial asset as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

In the current year, the Group has not elected to designate any debt instruments meeting the amortised cost criteria as at FVTPL.

Only financial assets that are classified as measured at amortised cost are tested for impairment. All derivatives, including embedded derivatives that are embedded in financial liabilities or host contracts outside the scope of IAS 39 that are separately accounted for, are FVTPL, except if designated in an effective cash flow hedge or hedge of a foreign operation hedge accounting relationship. In accordance with IFRS 9, embedded derivatives within the scope of that Standard are not separately accounted for as financial assets.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2009

2. CHANGES IN ACCOUNTING POLICIES, CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (continued)

2.1 Standards and Interpretations affecting amounts reported in the current year (continued)

IFRS 9 *Financial Instruments*	Investments in equity instruments are classified and measured as at FVTPL except if the equity investment is not held for trading and is designated by the Group as at fair value through other comprehensive income (FVTOCI). If the equity investment is designated as at FVTOCI, all gains and losses, except for dividend income recognised in accordance with IAS 18 Revenue, are recognised in other comprehensive income and are not subsequently reclassified to profit or loss. The directors have reviewed and assessed all of the Group's existing financial assets as at the date of initial application of IFRS 9 and have concluded that no material changes were required in the presentation of the financial statements.

2.2 Standards and Interpretations adopted with no effect on the financial statements

The following new and revised Standards and Interpretations have also been adopted in these financial statements.

Their adoption has not had any significant impact on the amounts reported in these financial statements but may affect the accounting for future transactions or arrangements.

Amendments to IFRS 1 *First-time Adoption of International Financial Reporting Standards and IAS 27 Consolidated and Separate Financial Statements – Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate*	The amendments deal with the measurement of the cost of investments in subsidiaries, jointly controlled entities and associates when adopting IFRSs for the first time and with the recognition of dividend income from subsidiaries in a parent's separate financial statements.
Amendments to IFRS 2 *Share-based Payments – Vesting Conditions and Cancellations*	The amendments clarify the definition of vesting conditions for the purposes of IFRS 2, introduce the concept of 'non-vesting' conditions, and clarify the accounting treatment for cancellations.
Amendments to IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations (adopted in advance of effective date of 1 January 2010)*	The modification reflects the International Accounting Standards Board's clarification (as part of *Improvements to IFRSs (2009)*) that the disclosure requirements in Standards other than IFRS 5 do not generally apply to non-current assets classified as held for sale and discontinued operations. The Group did not have any assets classified as *"non-current assets held for sale"* as at the reporting date.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2009

2. CHANGES IN ACCOUNTING POLICIES, CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (continued)

2.2 Standards and Interpretations adopted with no effect on the financial statements (continued)

IAS 23 (as revised in 2007) *Borrowing Costs*	The principal change to the Standard was to eliminate the option to expense all borrowing costs when incurred. This change has had no impact on these financial statements because it has always been the Group's accounting policy to capitalise borrowing costs incurred on qualifying assets.
Amendments to IAS 32 *Financial Instruments: Presentation and IAS 1 Presentation of Financial Statements – Puttable Financial Instruments and Obligations Arising on Liquidation*	The revisions to IAS 32 amend the criteria for debt/equity classification by permitting certain puttable financial instruments and instruments (or components of instruments) that impose on an entity an obligation to deliver to another party a pro-rata share of the net assets of the entity only on liquidation, to be classified as equity, subject to specified criteria being met.
Amendments to IAS 39 *Financial Instruments: Recognition and Measurement – Eligible Hedged Items*	The amendments provide clarification on two aspects of hedge accounting: identifying inflation as a hedged risk or portion, and hedging with options.
Amendments to IAS 39 *Financial Instruments: Recognition and Measurement* and IFRS 7 *Financial Instruments: Disclosures regarding reclassifications of financial assets*	The amendments to IAS 39 permit an entity to reclassify non-derivative financial assets out of the 'fair value through profit or loss' (FVTPL) and 'available-for-sale' (AFS) categories in very limited circumstances. Such reclassifications are permitted from 1 July 2008. As the Group has adopted IFRS 9 in 2009 and applied the Standard retrospectively for classification and measurement of its financial assets (see note 2.1 above), including restatement of comparative information, these amendments to IAS 39 do not apply to the Group.
Amendments to IAS 32 *Financial Instruments: Presentation* regarding classifications of rights issues	The amendments to IAS 32 address classification of certain rights issues denominated in a foreign currency as either an equity instrument or a financial liability. The Group has not entered into any rights issues in the current or comparative period.
Embedded Derivatives (Amendments to IFRIC 9 and IAS 39)	The amendments clarify the accounting for embedded derivatives in the case of a reclassification of a financial asset out of the 'fair value through profit or loss' category as permitted by the October 2008 amendments to IAS 39 Financial Instruments: Recognition and Measurement (see above).
IFRIC 15 *Agreements for the Construction of Real Estate*	The Interpretation addresses how entities should determine whether an agreement for the construction of real estate is within the scope of IAS 11 Construction Contracts or IAS 18 Revenue and when revenue from the construction of real estate should be recognised. The requirements have not affected the accounting for the Group's construction activities..

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2009

2. CHANGES IN ACCOUNTING POLICIES, CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (continued)

2.2 Standards and Interpretations adopted with no effect on the financial statements (continued)

IFRIC 16 *Hedges of a Net Investment in a Foreign Operation*	The Interpretation provides guidance on the detailed requirements for net investment hedging for certain hedge accounting designations.
IFRIC 17 *Distributions of Non-cash Assets to Owners* (adopted in advance of effective date of 1 July 2009)	The Interpretation provides guidance on the appropriate accounting treatment when an entity distributes assets other than cash as dividends to its shareholders.
IFRIC 18 *Transfers of Assets from Customers* (adopted for transfers of assets from customers received on or after 1 July 2009)	The Interpretation addresses the accounting by recipients for transfers of property, plant and equipment from 'customers' and concludes that when the item of property, plant and equipment transferred meets the definition of an asset from the perspective of the recipient, the recipient should recognize the asset at its fair value on the date of the transfer, with the credit recognised as revenue in accordance with IAS 18 Revenue.
IFRIC 19 *Extinguishing Financial Liabilities with Equity Instruments* (adopted in advance of effective date of 1 July 2010)	The Interpretation provides guidance on how to account for the extinguishment of a financial liability by the issue of equity instruments.
Amendments to IFRIC 14 *Prepayments of a Minimum Funding Requirement* (adopted in advance of effective date of 1 January 2011)	The amendments address the situations when an entity with minimum funding requirements makes a prepayment of contributions to cover those requirements. The amendments permit the benefit of such prepayment to be recognised as an asset.
Amendments to IAS 17 *Leases*	As part of *Improvements to IFRSs* (2009) issued in April 2009, the International Accounting Standards Board amended the requirements of IAS 17 Leases regarding the classification of leases of land. Prior to amendment, IAS 17 generally required leases of land with an indefinite useful life to be classified as operating leases. This was inconsistent with the general principles of the Standard, and the relevant guidance has been removed due to concerns that it could lead to accounting that did not reflect the substance of arrangements. Following the amendments, leases of land are classified as either 'finance' or 'operating' in accordance with the general principles of IAS 17. The Group did not have any assets falling into this category as at the reporting date.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2009

2. CHANGES IN ACCOUNTING POLICIES, CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (continued)

2.2 Standards and Interpretations adopted with no effect on the financial statements (continued)

Amendments to IFRS 2 *Share-based Payment*

In June 2009, the IASB issued amendments to IFRS 2 Share-based Payments. These amendments clarify the scope of IFRS 2, as well as the accounting for group cash-settled share-based payment transactions in the separate (or individual) financial statements of an entity receiving the goods or services when another group entity or shareholder has the obligation to settle the award.

IFRS 3 (as revised in 2008) *Business Combinations*

IFRS 3(2008) has been adopted in the current year in advance of its effective date (business combinations for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 July 2009). Its adoption has affected the accounting policy for business combinations with the effect being:

- to allow a choice on a transaction-by-transaction basis for the measurement of non-controlling interests (previously referred to as 'minority' interests) either at fair value or at the non-controlling interests' share of the fair value of the identifiable net assets of the acquiree. When accounting for acquisitions, the Group will continue to measure the non-controlling interests on the basis of the share of the fair value of the identifiable net assets of the acquiree;

- to change the recognition and subsequent accounting requirements for contingent consideration. Under the previous version of the Standard, contingent consideration was recognised at the acquisition date only if payment of the contingent consideration was probable and it could be measured reliably; any subsequent adjustments to the contingent consideration were recognised against goodwill. Under the revised Standard, contingent consideration is measured at fair value at the acquisition date; subsequent adjustments to the consideration are recognised against goodwill only to the extent that they arise from better information about the fair value at the acquisition date, and they occur within the 'measurement period' (a maximum of 12 months from the acquisition date). All other subsequent adjustments are recognised in profit or loss;

- where the business combination in effect settles a pre-existing relationship between the Group and the acquiree, to require the recognition of a settlement gain or loss; and

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2009

2. CHANGES IN ACCOUNTING POLICIES, CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (continued)

2.2 Standards and Interpretations adopted with no effect on the financial statements (continued)

IFRS 3 (as revised in 2008) *Business Combinations*	• to require that acquisition-related costs be accounted for separately from the business combination, generally leading to those costs being recognised as an expense in profit or loss as incurred, whereas previously they were accounted for as part of the cost of the acquisition. In the current year, the Group has not been involved in any business combinations and hence the amendment to the standard has not had any financial impact on the reported numbers.
IAS 28 (as revised in 2008) *Investments in Associates*	IAS 28 (2008) has been adopted in advance of its effective date (annual periods beginning on or after 1 July 2009).The principle adopted under IAS 27 (2008) (see above) that a loss of control is recognised as a disposal and re-acquisition of any retained interest at fair value is extended by consequential amendment to IAS 28; therefore, when significant influence is lost, the investor measures any investment retained in the former associate at fair value, with any consequential gain or loss recognised in profit or loss.
IFRIC 13 *Customer Loyalty Programmes*	The Interpretation is concerned with the accounting for sales transactions where a customer loyalty programme exists. The Group did not have any such programme during the period under review and the adoption of the Interpretation thus did not have any impact on the financial statements.
IAS 8.28(a) Amendments to IAS 38 *Intangible Assets*	As part of *Improvements to IFRSs* (2008), IAS 38 has been amended to state that an entity is permitted to recognise a prepayment asset for advertising or promotional expenditure only up to the point at which the entity has the right to access the goods purchased or up to the point of receipt of services.
IAS 8.28(a) Amendments to IAS 40 *Investment Property*	As part of *Improvements to IFRSs* (2008), IAS 40 has been amended to include within its scope investment property in the course of construction. Therefore, following the adoption of the amendments and in line with the Group's general accounting policy, investment property under construction is measured at fair value (where that fair value is reliably determinable), with changes in fair value recognised in profit or loss. The Group had previously accounted for such assets at cost less accumulated impairment losses under IAS 16 Property, *Plant and Equipment.*

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2009

2. CHANGES IN ACCOUNTING POLICIES, CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (continued)

2.2 Standards and Interpretations adopted with no effect on the financial statements (continued)

IAS 8.28(a) Amendments to IAS 20 *Accounting for Government Grants and Disclosure of Government Assistance*	IAS 20 has been amended to require that the benefit of a government loan at a below-market rate of interest be treated as a government grant. This accounting treatment was not permitted prior to these amendments.
Amendments to IAS 24 *Related Party Disclosures*	IAS 8.30(a) In November 2009, the IASB issued amendments to IAS 24 Related Party Disclosures. The amendments modify the definition of a related party and provided partial exemption for related party disclosures of transactions by government-related entities with that government or its related entities. The consequences of that change have been factored in note 27.

2.3 International Financial Reporting Standards and Interpretations in issue but not yet effective

IAS 27 (as revised in 2008) *Consolidated and Separate Financial Statements*	IAS 27 (2008) has been adopted in advance of its effective date (annual periods beginning on or after 1 July 2009). The revisions to IAS 27 principally affect the accounting for transactions or events that result in a change in the Group's interests in its subsidiaries. The revised Standard has affected the Group's accounting policies regarding changes in ownership interests in its subsidiaries that do not result in a change in control. In prior years, in the absence of specific requirements in IFRSs, increases in interests in existing subsidiaries were treated in the same manner as the acquisition of subsidiaries, with goodwill or a bargain purchase gain being recognized where appropriate; for decreases in interests in existing subsidiaries that did not involve a loss of control, the difference between the consideration received and the carrying amount of the share of net assets disposed of was recognised in profit or loss. Under IAS 27 (2008), all such increases or decreases are dealt with in equity, with no impact on goodwill or profit or loss. When control of a subsidiary is lost as a result of a transaction, event or other circumstance, the revised Standard requires that the Group derecognise all assets, liabilities and non-controlling interests at their carrying amount. Any retained interest in the former subsidiary is recognised at its fair value at the date control is lost, with the gain or loss arising recognised in profit or loss. If the Group had adopted the revised standard, the profit reported in the consolidated income statement would be increased by US$21 376.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2009

2. CHANGES IN ACCOUNTING POLICIES, CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY(continued)

2.4 Critical accounting judgements and key sources of estimation uncertainty

2.4.1 Critical judgements in applying the entity's accounting policies

In the process of applying the Group's accounting policies, which are described in note 3, management has made the following judgements that have the most significant effect on the amounts recognised in the financial statements (apart from those involving estimations, which are dealt with below).

2.4.1.1 Classification of investments as "Held-to-Maturity" investments

The Directors have reassessed the Group's "Held-to-Maturity" investments portfolio relative to the Group's cash-flow requirements and practicality of trading in those assets and have confirmed the Group's constructive intention and ability to hold the investments to maturity. The total portfolio classified as "Held-to-Maturity" amounted to US$1 648 236 in the current year.

2.4.2 Key sources of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the statement of financial position date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below:

2.4.2.1 Impairment of loans issued at discount rates

In terms of IAS 39: "Financial Instruments: Recognition and Measurement", staff loans issued at lower than market rates have been fair valued at inception and fair value adjustment recognised in the income statement.

The rates used are for similar loans and receivables issued in an arms length transaction.

2.4.2.2 Fair value adjustments of money market investments

Determining the fair value of money market investments requires the use of similar instruments traded in an active market. Similar instruments are defined as those with similar credit risk and market risk to the investment to be fair valued.

In the current environment, there is no active market for treasury instruments. In the circumstances, the instruments have been carried in the current year financial results at amortised cost.

2.4.2.3 Fair value adjustment for unquoted investments

Subject to contractual provisions, the fair value of unquoted investments is established with reference to the net assets value and the earnings capacity of the business. Valuation on the earnings basis is calculated as the sustainable earnings for the entity multiplied by discounted price earnings ratio of a quoted Company with similar operations in a similar environment.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2009

2. CHANGES IN ACCOUNTING POLICIES, CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (continued)

2.4.2.3 Fair value adjustment for unquoted investments (continued)

Market distortions affect the measurement of the net asset values and the projection of the future earnings capacity of the businesses. In all material instances, the valuation basis has been consistently applied over the last two years.

The valuation of investments in subsidiary companies in the statement of financial position of the holding Company has been carried based on the net asset values of the investee companies.

2.4.2.4 Valuation of property and equipment and investment properties

In the current year property and equipment were revalued at 31 December 2009 on the basis of a valuation done by Bard Real Estate who are independent valuers not related to the Group. Bard Real Estate is a member of the Royal Institute of Chartered Surveyors (RICS) and possesses appropriate qualifications and recent experience in the valuation of similar assets. The valuation, which conforms to RICS Appraisal and Manual and the International Asset Valuation Standards IAS 40, was arrived at by reference to market evidence of transactions for similar assets at the time of valuation.

The property market has generally been observed to be "unsettled" and the low volumes of recorded transactions exhibiting widely disparate values presents a challenge in the evaluation of the true values of the assets. The Directors have applied prudence in adopting the values reported in the financial statements.

The financial effect of the revaluation exercise is expressed in note 5 and note 6 as a "surplus on revaluation" on property and equipment and investment properties.

2.4.2.5 Useful lives and residual values of property and equipment

As indicated in note 3.8, depreciation is provided on qualifying property and equipment over the useful life of the asset in order to progressively write the asset down to its residual value. The useful lives of the assets are reviewed on an annual basis. In the current year, a review of the useful lives was carried out and the Directors are of the view that for all assets categories, there were no material developments during the year-end up to the reporting date requiring the shortening or extension of the previously assessed useful lives.

The residual values were assessed through comparison of prices of new and aged assets on a sample basis for each asset category to give an indicative recovery rate. A nil residual value has been ascribed to assets known to have limited resell potential, such as custom-specific partitioning, carpeting, software and certain components of hardware.

The financial effect of the aforementioned estimates on assets is expressed in note 5 as the charge for depreciation in the current year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2009

2. CHANGES IN ACCOUNTING POLICIES, CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (continued)

2.4.2.6 Estimation of incurred but not reported (IBNR) insurance claims

In terms of accounting policy 3.21, the Group makes full provision for the estimated cost of all claims incurred at the reporting date. A reserve amount is set aside for potential claims not yet reported. The determination of the level of the reserve is based on the claims payment profile established over past periods. The estimated balance of the IBNR reserve at the date of the statement of financial position amounted to US$1 008 344.

2.4.2.7 Valuation of the life fund

Actuarial liabilities in respect of life assurance policies are subject to annual assessment by an independent actuary. The liabilities are assessed using a Gross Premium Valuation (GPV) method which takes full account of all the future expected cash flows. At each statement of financial position date, tests are performed to ensure the adequacy of the insurance contract liabilities net of the related intangible present value of acquired in-force business assets.

Calculation of the liability requires a number of demographic and financial assumptions to be made. Whilst in the short-term financial parameters may exhibit a high level of volatility, valuation has been based on long-term estimates adjusted for a degree of prudence. The key assumptions used are as follows:

Key assumption area	Factor
Valuation discount rates (taxed)	8%
Valuation discount rates (untaxed)	10%
Expense inflation	6.5%
Expected real yield	3.5%

Actuarial liabilities are shown in the Group's statement of financial position as “life assurance funds” and the balance as at 31 December 2009 is made up as follows:

	2009 US$	Unaudited 2008 US$
Value of total liability	10 484 789	3 858 800
Distribution of surplus in the fund	1 294 800	2 407 530
	11 749 589	6 266 330

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2009

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted by the Group, which are set out below, have been consistently followed in all material respects and are in accordance with International Financial Reporting Standards.

3.1 Basis of preparation

3.1.1 Reporting currency

The financial statements of the Group and the Company are presented in United States Dollars being the reporting currency adopted by the Group following the introduction of a multi-currency trading environment in Zimbabwe in February 2009.

3.1.2 Reporting basis

The financial statements are based on accounting records maintained under the historical cost convention as modified by the revaluation of property and equipment and certain financial instruments, and are prepared, except as indicated in the statement of compliance below, in accordance with general guidance contained in International Financial Reporting Standards (IFRS) as well as standard practises within the Zimbabwean financial sector.

3.1.2 Statement of compliance

The financial statements do not conform with IFRS, promulgated by the International Accounting Standards Board (IASB), which includes standards and interpretations approved by the IASB as well as International Accounting Standards and Standing Interpretations Committee (SIC) interpretations issued under previous constitutions (IFRS), due to non-compliance with the following:

- IAS 1 – Presentation of Financial Statements;
- IAS 21 – The Effects of Changes in Foreign Exchange Rates; and
- IAS 29 – Financial Reporting in Hyperinflationary Economies

The effects of these departures have not been quantified but, having regard to the terms of IFRS, the PAAB, the ZAPB and the ZSE issued recommendations that assisted preparers of financial statements in converting their financial statements from Zimbabwe dollars into their new functional currency in a manner that is consistent with the principles of International Financial Reporting Standards, in as far as is practicable, in the Zimbabwean economic environment, at the date of the change of the functional currency. These recommendations were also made in order to achieve a fair measure of market comparability and consistency for regulatory oversight and in the interest of various stakeholders, such as investors and those who have an interest in high quality financial information. The PAAB, the ZAPB and the ZSE recommended that all entities reporting in Zimbabwe adopt this Financial Reporting Guidance for converting their financial statements into the entity's new functional currency at the date of change over.

Although it is not a legal requirement to apply the Financial Reporting Guidance, the directors, in line with their fiduciary responsibilities to prepare financial statements that fairly present the state of affairs and performance of the Group, have adopted these recommendations as it is the best possible manner in which they can present financial statements that are as fair as is practical under the circumstances prevailing.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2009

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.1.2 Statement of compliance (continued)

As suggested in the Financial Reporting Guidance, assets and liabilities carried at fair value were valued at the date of change of the functional currency and carried at their fair values in the new functional currency. Non-monetary assets and liabilities were valued at their deemed cost. Equity was recognised as the residual of the Company's net assets and will be treated as a non-distributable reserve.

3.2 Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries) up to 31 December each year. Control is achieved where the Company has the power to govern the financial and operating policies of an investee entity so as to obtain benefits from its activities.

On acquisition, the assets and liabilities and contingent liabilities of a subsidiary are measured at their fair values at the date of acquisition. Any excess of the cost of acquisition over the fair values of the identifiable net assets acquired is recognised as goodwill. Any deficiency of the cost of acquisition below the fair values of the identifiable net assets acquired (negative goodwill) is credited to profit and loss in the period of acquisition. Non-controlling interest is stated at their proportion of the fair values of the assets and liabilities recognised. Subsequently, any losses applicable to the minority interest in excess of the minority interest are allocated against the interests of the parent.

Foreign entities which are subsidiaries of the Group are consolidated in the financial statements using exchange rates applicable on the balance sheet date.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by the Group.

All intra-Group transactions, balances, income and expenses are eliminated on consolidation.

Non-controlling interests in the net assets (excluding goodwill) of consolidated subsidiaries are identified separately from the Group's equity therein. Non-controlling interests consist of the amount of those interests at the date of the original business combination and the minority's interest in the subsidiary's equity are allocated against the interests of the Group, except to the extent that the minority has a binding obligation and is able to make an additional investment to cover the costs.

3.2.1 Goodwill

Goodwill arising on the consolidation of a subsidiary or a jointly controlled entity represents the excess of the cost of acquisition over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of a subsidiary, associate or jointly controlled entity recognised at the date of acquisition.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2009

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2.1 Goodwill (continued)

Goodwill is initially recognised as an asset and reviewed for impairment at least annually in December. Any impairment is recognised immediately in profit or loss and is not subsequently reversed.

On disposal of a subsidiary, associate or jointly controlled entity, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

3.2.2 Negative goodwill

Negative goodwill arising on consolidation represents the portion by which the fair value of identifiable assets and liabilities of an acquired subsidiary exceeds the purchase consideration for the Group's interest in the subsidiary. Where negative goodwill arises, the Group reassesses the identification and measurement of the acquiree's identifiable assets, liabilities and contingent liabilities, and the measurement of the cost of the combination. After the reassement, any negative goodwill arising is recognised immediately in profit or loss.

3.2.3 Associated companies

An associate is an entity over which the Group is in a position to exercise significant influence, but not control or joint control, through participation in the financial and operating policy decisions of the investee.

The results and assets and liabilities of associates are incorporated in these financial statements using the equity method of accounting except when the investment has been classified as held for sale (see 3.3). Investments in associates are carried in the statement of financial position at cost as adjusted by post-acquisition changes in the Group's share of the net assets of the associate, less any impairment in the value of individual investments. Losses of the associates in excess of the Group's interest in those associates are not recognised.

Any excess of the cost of acquisition over the Group's share of the fair values of the identifiable net assets of the associate at the date of acquisition is recognised as goodwill. Any deficiency of the cost of acquisition below the Group's share of the fair values of the identifiable net assets of the associate at the date of acquisition (negative goodwill) is credited in profit and loss in the period of acquisition.

Where a Group company transacts with an associate of the Group, profits and losses are eliminated to the extent of the Group's interest in the relevant associate. Losses may provide evidence of an impairment of the asset transferred, in which case appropriate provision is made for impairment.

IAS 28 "*Investment in associates*" states that investments in associates by venture capital organisations, mutual funds, unit trusts and similar organisations that are classified as held for trading and accounted for in accordance with IAS 39 "Financial instruments: Recognition and Measurement" are exempt from equity accounting. The Group measures such investments at fair value.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.3 Non-current assets held for sale

Non-current assets (and disposal groups) classified as held for sale are measured at the lower of carrying amount and fair value less costs to sell.

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

3.4 Revenue recognition

3.4.1 Interest income

Interest income arises from the Group's lending and money market activities.

The Group recognises interest income on an accrual basis. From an operational perspective, it suspends the accrual of contractual interest on the non-recoverable portion of an advance, when the recovery of the advance is considered doubtful.

3.4.2 Trading income

The Group includes profits, losses and fair value adjustments on held for trading financial instruments both realised and unrealised, in income as earned, when the risks and rewards of ownership have passed.

3.4.3 Fee and commission income

The Group recognises fee and commission income on an accrual basis when the service is rendered. Commission income on acceptances and bills is credited to income over the lives of the relevant instruments on a time proportionate basis.

3.4.4 Premiums

In respect of life and pension assurance services:-

Premium income in respect of individual life policies is recognised as income when received, as failure to pay a premium will result in a lapse of the policy. Income on insurance contracts is shown gross of reinsurance premium. Group benefit insurance premiums are accounted for when receivable.

In respect of reinsurance services:-

Premium written consists of premium accounted for in the financial period under review, reinsurance contracts in force as at the end of the financial period notwithstanding the inception date of the contract.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2009

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.4.4 Premiums (continued)

Provision is made for unearned premium, being the proportion of net premium income that relates to risks that have not expired at the end of the financial year. In instances where it is anticipated that the unearned premium will be insufficient to cover the estimated costs of future related claims, the provision is adjusted accordingly. The unearned premium reserve is calculated on the 1/365th basis.

3.4.5 Services rendered

The Group recognises revenue for services rendered to customers based on the estimated outcome of the transactions. When the outcome can be reliably estimated, transaction revenue is recognised by reference to the stage of completion of the transaction at the balance sheet date. The stage of completion is measured based on the amount of work performed. When the outcome cannot be reliably estimated, revenue is recognised only to the extent of the expenses incurred that are recoverable.

3.4.6 Dividends

The Group recognises dividends on the “last day to trade” for listed shares, and on the “date of declaration” for unlisted shares.

3.5 Financial instruments

The Group recognises financial assets or financial liabilities on its statement of financial position when it becomes a party to the contractual provisions of the financial instrument.

The Group's principal financial instruments comprise all assets and liabilities carried on the statement of financial position with the exception of share capital, reserves and minority interests in subsidiary companies, tangible and intangible non-current assets, inventories and deferred tax assets and liabilities.

3.5.1 Financial assets

Investments are recognised and derecognised on trade date where the purchase or sale of an investment is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned, and are initially measured at fair value, plus transaction costs, except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value.

Financial assets are classified into the following specified categories: financial assets 'at fair value through profit or loss' (FVTPL), 'held-to-maturity' (HTM) investments, 'fair value through other comprehensive income' (FVTOCI) financial assets and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2009

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.5 Financial instruments (continued)

3.5.1.1 Effective interest rate method

The effective interest rate method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period.

Income is recognised on an effective interest rate basis for debt instruments other than those financial assets designated as at FVTPL.

3.5.1.2 Financial assets at FVTPL

Financial assets are classified as at FVTPL where the financial asset is either held for trading or it is designated as at FVTPL.

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling in the near future; or
- it is a part of an identified portfolio of financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

  A financial asset other than a financial asset held for trading may be designated as at FVTPL upon initial recognition if:

  - such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
  - the financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
  - it forms part of a contract containing one or more embedded derivatives, and IAS 39 Financial Instruments: Recognition and Measurement permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Financial assets at FVTPL are stated at fair value, with any resultant gain or loss recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any dividend or interest earned on the financial asset. Fair value is determined in the manner described in note 3.5.4.

3.5.1.3 Held-to-maturity investments

Bills of exchange and debentures with fixed or determinable payments and fixed maturity dates that the Group has the positive intent and ability to hold to maturity are classified as held-to-maturity investments. Held-to-maturity investments are recorded at amortised cost using the effective interest rate method less any impairment, with revenue recognised on an effective yield basis.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2009

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.5.1.4 Financial assets at FVTOCI

Unlisted shares and redeemable notes held by the Group that are traded in an active market are classified as FVTPL and are stated at fair value. Fair value is determined in the manner described in note 3.5.4. Gains and losses arising from changes in fair value are recognised directly in equity in the investments revaluation reserve with the exception of impairment losses, interest calculated using the effective interest rate method and foreign exchange gains and losses on monetary assets, which are recognised directly in profit or loss. Where the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously recognised in the investments revaluation reserve is included in profit or loss for the period.

Dividends on FVTOCI equity instruments are recognised in profit or loss when the Group's right to receive the dividends is established.

The fair value of FVTOCI monetary assets denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the balance sheet date. The change in fair value attributable to translation differences that result from a change in amortised cost of the asset is recognised in profit or loss, and other changes are recognised in equity.

3.5.1.5 Loans and receivables

Trade receivables, loans, and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Loans and receivables are measured at amortised cost using the effective interest rate method, less any impairment. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

3.5.1.6 Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at each statement of financial position date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been impacted.

For unlisted shares classified as FVTOCI, a significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment

For all other financial assets, including redeemable notes classified as FVTOCI and finance lease receivables, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2009

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.5.1.6 Impairment of financial assets (continued)

For certain categories of financial assets, such as trade receivables, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables includes the Group's prior loss experience, an increase in the number of delayed payments in the portfolio past the average credit period, the size and diversity of the portfolio, as well as observable changes in national or local economic conditions that correlate with default on receivables.

In making the above assessments, the Group adheres to the provisions of the Reserve Bank of Zimbabwe's prudential guidelines on risk provisioning, and any general provision raised in accordance with such provisions, which is not directly associated with a specific loan or loan portfolio is dealt with through the statement of changes in equity as a charge or credit on the general reserves.

For financial assets carried at amortised cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

With the exception of FVTOCI equity instruments, if, in a subsequent period, the amount of the impairment decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

In respect of FVTOCI equity securities, impairments previously recognised through profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment is recognised directly in equity.

3.5.1.7 Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire; or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and any associated liabilities for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2009

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.5.2 Financial liabilities and equity instruments issued by the Group

3.5.2.1 Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement.

3.5.2.2 Equity instruments

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

3.5.2.3 Compound instruments

The component parts of compound instruments issued by the Group are classified separately as financial liabilities and equity in accordance with the substance of the contractual arrangement. At the date of issue, the fair value of the liability component is estimated using the prevailing market interest rate for a similar non-convertible instrument. This amount is recorded as a liability on an amortised cost basis using the effective interest rate method until extinguished upon conversion or at the instrument's maturity date. The equity component is determined by deducting the amount of the liability component from the fair value of the compound instrument as a whole. This is recognised and included in equity, net of income tax effects, and is not subsequently remeasured.

3.5.2.4 Financial guarantee contract liabilities

Financial guarantee contract liabilities are measured initially at their fair values and are subsequently measured at the higher of:

- the amount of the obligation under the contract, as determined in accordance with IAS 37 Provisions, Contingent Liabilities and Contingent Assets; and
- the amount initially recognised less, where appropriate, cumulative amortisation recognised in accordance with the revenue recognition policies set out in note 3.4.

3.5.2.5 Financial liabilities

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

3.5.2.6 Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL where the financial liability is either held for trading or it is designated as at FVTPL.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2009

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.5.2.6 Financial liabilities at FVTPL (continued)

A financial liability is classified as held for trading if:

- it has been incurred principally for the purpose of repurchasing in the near future; or
- it is a part of an identified portfolio of financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.
- A financial liability other than a financial liability held for trading may be designated as at FVTPL upon initial recognition if:
- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and IAS 39 Financial Instruments: Recognition and Measurement permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Financial liabilities at FVTPL are stated at fair value, with any resultant gain or loss recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any interest paid on the financial liability. Fair value is determined in the manner described in note 3.5.4.

3.5.2.7 Other financial liabilities

The Group recognises liabilities, including provisions, when it 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.

Other financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs.

Other financial liabilities are subsequently measured at amortised cost using the effective interest rate method, with interest expense recognised on an effective yield basis.

The effective interest rate method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

3.5.2.8 Financial liabilities under insurance and investment contracts

The Group's statutory actuary calculates the Group's liabilities under the insurance and investment contracts annually at the balance sheet date. The transfers to policyholders' liabilities reflected in the financial statements represent the increase or decrease in liabilities, including provisions for policyholders' bonuses, net adjustments to policyholders' bonus stabilisation reserve and net adjustments to margins held within the policyholders' liabilities.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2009

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.5.2.9 Claims and policyholder benefits

Individual life benefits and group policyholder benefits are accounted for when claims are intimated.

3.5.2.10 Contingent liabilities

Contingent liabilities are disclosed when the Group

- has a possible obligation arising from past events, the existence of which will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group, or
- has a present obligation that arises from past events but is not recognised because:-
- it is not probable that an outflow of resources will be required to settle an obligation; or
- the amount of the obligation cannot be measured with sufficient reliability.

3.5.2.11 Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or expire.

3.5.3 Offsetting financial instruments

The Group offsets financial assets and liabilities and reports the net balance in the statement of financial position where there is a legally enforceable right to set off; there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously; the maturity date for the financial asset and liability is the same.

3.5.4 Fair values of financial instruments

The fair values of financial assets and financial liabilities are determined as follows:

- the fair value of financial assets and liabilities with standard terms and conditions and traded on active liquid markets is determined with reference to quoted market prices, and

- the fair value of other financial assets and financial liabilities is determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions and dealer quotes for similar instruments.

The valuation technique used depends on the nature of the financial instrument.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2009

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.6 Inventories

Inventories are stated at the lower of cost and net realisable value. Average cost is used to determine the value of inventory.

3.7 Acceptances

In accordance with standard practice in Zimbabwe, the liability under acceptances includes bills drawn on and accepted by Group companies and held in portfolio as an asset.

3.8 Property and equipment

Property and equipment held for use in the supply of goods or services, or for administrative purposes are stated in the statement of financial position at their revalued amounts, being the fair value at the date of revaluation, determined from market-based evidence by appraisal undertaken by or with assistance of professional valuers, less any subsequent accumulated depreciation and subsequent accumulated impairment. Revaluations are performed with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair values at the statement of financial position date.

Any revaluation increase arising on the revaluation of such property and equipment is credited to the revaluation reserve, except to the extent that it reverses a revaluation decrease for the same asset previously recognised as an expense, in which case the increase is credited to the income statement to the extent of the decrease previously charged. A decrease in carrying amount arising on the revaluation of such property and equipment is charged as an expense to the extent that it exceeds the balance, if any, held in the revaluation reserve relating to a previous revaluation of that asset.

If an item of property and equipment is revalued, the entire class of property and equipment to which that asset belongs shall be revalued. A class of property and equipment is a grouping of assets of a similar nature and use in the Group's operations.

Depreciation on revalued property and equipment is charged to income. On the subsequent sale or retirement of a revalued asset, the attributable revaluation surplus remaining in the revaluation reserve is transferred directly to retained income.

Properties in the course of construction for production, rental or administrative purposes, or for purposes not yet determined, are carried at cost, less any recognised impairment. Cost includes professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Depreciation of these assets is on the same basis as other property assets, and commences when the assets are ready for their intended use.

Depreciation is charged so as to write off the cost or valuation of assets, other than land and properties under construction, over their estimated useful lives, to their recoverable amounts using the straight-line method. The recoverable amount is assessed on an annual basis and where the recoverable amount exceeds the carrying amount, depreciation on those assets is ceased. Depreciation is calculated over the estimated useful life of the asset which is reassessed on an annual basis.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2009

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.8 Property and equipment (continued)

The gain or loss arising from disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the income statement.

3.9 Foreign currency transactions

The financial statements for each individual Group entity are presented in the currency of the primary economy in which the entity is registered. For the purpose of the consolidated financial statements, the results and financial position of each Group entity are expressed in United States dollars (US$), which is the functional currency of the holding company and the presentation currency for the consolidated financial statements.3.

In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency are recorded at the rates of exchange prevailing at the dates of the transactions. At each statement of financial position date, monetary items denominated in foreign currencies are retranslated at the rates prevailing at the balance sheet date. Non-monetary items carried at fair value that are denominated in foreign currencies are re-translated at rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange profits or losses are recognised in the profit or loss in the period in which they arise except for:

- Exchange differences which relate to assets under construction for future productive use, which are included in the cost of those assets when they are regarded as an adjustment to interest costs on foreign currency borrowings; or
- Exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur, which form part of the net investment in a foreign operation, and which are recognised in the foreign currency translation reserve and recognised in profit or loss on disposal of the net investment.

For the purposes of the consolidated financial statements, the assets and liabilities of the Group's foreign operations are expressed in United States dollars using exchange rates prevailing at the balance sheet date. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuated significantly during the period, in which circumstances the exchange rates at the dates of transactions are used. Exchange differences arising from the translation process are classified as equity and recognised in the Group's foreign currency translation reserve until the foreign operation is disposed of, at which point the reserve will be recognised in profit and loss.

Any goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing rate.

3.10 Instalment transactions

Lease income and finance charges are generally pre-computed at the commencement of the contractual periods and are credited to income in proportion to the reducing capital balances outstanding. The unearned portion of these finance charges is shown as a deduction from “Advances and other accounts”.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2009

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.11 Taxation

The tax expense represents the sum of the tax currently payable and deferred tax. The tax currently payable is based on taxable income for the year. Taxable income differs from net income as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable income will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the tax income nor the accounting income.

Group's obligations under the schemes are equivalent to those arising in a defined contribution retirement benefit scheme.

For defined retirement benefit schemes, the cost of providing benefits is determined using the Attained Age Method for curtailed funds Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

3.12 Pension funds

Payments to defined contribution retirement benefit schemes are charged as an expense as they fall due. Payments made to state-managed retirement benefit schemes are dealt with as payments to defined contribution schemes where the Group’s obligations under the Schemes are equivalent to those arising in a defined contribution retirement benefit scheme.

For defined benefit retirement schemes, the cost of providing benefits is determined using the Attained Age Method for curtailed funds and the Projected Unit Credit Method for open funds and the, with actuarial valuations being carried out annually, at each balance sheet date. Past service costs are amortised on the basis of the average vesting period for the benefits concerned.

3.13 Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2009

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.13.1 The Group as lessor

When assets are subject to a finance lease, the present value of the lease payments is recognised as receivable at the amount of the Group's net investment in the leases. The difference between the gross receivable and the present value of the receivable is recognised as unearned finance income. Lease income is recognised over the term of the lease using the net investment method (before tax), which reflects a periodic rate of return.

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease.

3.13.2 The Group as lessee

Assets held under finance lease are recognised as assets of the Group at their fair value or, if lower, at the present value of the minimum lease payments, each determined at the inception of the lease. The corresponding liability to the lessor is included in the balance sheet as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly against income, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Group's general policy on borrowing costs (see note 3.22).

Rentals payable under operating leases are charged to income on a straight-line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are also spread on a straight line basis over the lease term.

3.14 Share-based payments

The Group recognises an expense and a corresponding entry to equity for employee share options and the recognition of an expense and a liability for cash settled share options.

The share options issued to qualifying staff members are fair valued at the date of grant. The fair value is determined indirectly by calculating the value of the share option granted, using the Black-Scholes option-pricing model, adjusted for dividends.

The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of shares that will eventually vest with a corresponding amount being recognised in equity.

The reserve created is non-distributable, and is transferred to share premium as options are exercised. For options that are forfeited or expire, the value recorded in the non-distributable reserve is transferred to distributable reserves.

3.15 Borrowings, including preference shares

Borrowings are recognised initially at 'cost', being their issue proceeds (fair value of consideration received) net of transaction costs incurred. Borrowings are subsequently stated at amortised cost and any difference between net proceeds and redemption value is recognised in the income statement over the period of the borrowings using the effective yield method.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2009

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.15 Borrowings, including preference shares (continued)

When convertible borrowings are issued, the fair value of the conversion option is determined. This amount is recorded separately in shareholders' equity. The Group does not recognise any change in the value of this option in subsequent periods. The remaining obligation to make future payments of principal and interest to bond-holders is calculated using a market interest rate for an equivalent non-convertible bond and is presented on the amortised cost basis in other borrowed funds until extinguished on conversion or maturity of the bonds.

Preference shares which carry a mandatory coupon, or are redeemable on a specific date or at the option of the shareholder, are classified as financial liabilities and presented together with other borrowings. The dividends on these preference shares are recognised in the income statement as interest expense on an amortised cost basis using the effective yield method.

If the Group purchases its own debt, it is removed from the statement of financial position and the difference between the carrying amount of a liability and the consideration paid is included in net operating income.

3.16 Share capital

3.16.1 Share issue costs

Incremental external costs directly attributable to the issue of new shares, other than on a business combination, are deducted from equity net of any related taxes.

3.16.2 Dividends on ordinary shares

Dividends on ordinary shares are recognised in equity in the period in which they are declared. Dividends for the year, which are declared after the balance sheet date, are dealt with in the subsequent events note.

3.16.3 Preference shares

Preference shares that are non-redeemable and upon which dividends are declared at the discretion of the directors are classified as equity.

3.16.4 Treasury shares

Where the Group purchases its own equity share capital, the consideration paid, including any attributable incremental external costs net of income taxes, is deducted from total shareholders' equity as treasury shares until they are cancelled. Where such shares are subsequently sold or reissued, any consideration received is included in shareholders' equity. No gain or loss is recognised in income or loss on the purchase, sale, issue or cancellation of an entity's own equity instruments.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2009

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.17 Fiduciary activities

Assets and income arising thereon together with related undertakings to return such assets to customers are excluded from these financial statements where the Group acts in a fiduciary capacity such as a nominee, trustee or agent.

3.18 Internally-generated intangible assets

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

An internally-generated intangible asset is recognised only if all of the following conditions are met:

- an asset is created that can be identified (such as software and new processes);
- it is probable that the asset created will generate future economic benefits; and
- the development cost of the asset can be measured reliably.

Internally-generated intangible assets are amortised on a straight-line basis over their estimated useful lives. Where no internally-generated intangible asset can be recognised, development expenditure is recognised as an expense in the period in which it is incurred.

Intangible assets are shown at cost less accumulated amortisation and impairment.

3.19 Impairment of tangible and intangible assets excluding goodwill

At each statement of financial position date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment (if any). Where the asset does not generate cash flows that are independent from other assets, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

An intangible asset with an indefinite useful life is tested for impairment annually and whenever there is an indication that the asset may be impaired.

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

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment is recognised as an expense immediately, unless the relevant asset is carried at a revalued amount, in which case the impairment is treated as a revaluation decrease.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2009

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.19 Impairment of tangible and intangible assets excluding goodwill (continued)

Where an impairment subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised as income immediately, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment is treated as a revaluation increase.

3.20 Investment property

Investment property is property held to earn rentals and / or for capital appreciation, rather than property held for sale in ordinary course of business or use in production, supply of goods and services or for administrative purposes, and includes vacant land with an undetermined future use. Investment properties are stated at fair value at the statement of financial position date. Gains or losses arising from changes in the fair value of investment property are included in the income statement for the period in which they arise.

3.21 Reinsurance contracts

The Group classifies a reinsurance contract as an insurance contract issued by itself (the reinsurer) to compensate another insurer (the cedant) for losses on one or more contracts issued by the cedant. An insurance contract is one under which one party (the insurer) accepts significant insurance risk from another party (the policyholder) by agreeing to compensate the policyholder if a specified uncertain future event (the insured event) adversely affects the policyholder. Insurance risk is risk other than financial risk, transferred from the holder of a contract to the issuer. Financial risk is risk of a possible future change in one or more of a specified interest rate, financial instrument price, foreign exchange rate, index of prices or rates, credit rating or credit index or other variable, provided in the case of a non-financial variable that the variable is not specific to a party to the contract.

3.21.1 Outstanding claims reserve

Claims are accounted for in the accounting periods in which they occur. Full provision is made for the estimated costs of all claims notified but not settled at year end and for claims incurred at year end but not reported until after that date, using the best information available at the time. The estimates include provision for inflation and other contingencies arising in settlement of the claims. Anticipated reinsurance recoveries are disclosed separately as reinsurance assets.

3.21.2 Insurance liabilities

At each reporting date, management assesses whether insurance liabilities are adequate, using current estimates of the future cash flows under its insurance contracts. If the assessment shows that the carrying amount of its insurance liabilities (less related deferred acquisition costs and intangible assets) is inadequate in light of estimated future cash flows, the entire deficiency is recognised in profit and loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2009

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.21 Reinsurance contracts (continued)

3.21.3 Commissions

Commissions are business acquisition costs and are accounted for when incurred and are not deferred.

3.21.4 Reinsurance held

The reinsurance business has retrocession (proportional reinsurance) and protection cover (non-proportional reinsurance) arrangements with international reinsurers. Premium in respect of reinsurance risks retroceded is classified as gross premium retroceded. Premium in respect of protection cover is accounted for separately in the income statement as premium protection cover. Retrocession claims are claims recovered from retrocessionaires in respect of claims paid falling under risks retroceded. These are shown separately in the income statement as income. Retrocession commission is income in respect of premium risks retroceded and is accounted for separately in the income statement.

3.21.5 Reinsurance assets

Reinsurance assets consist of balances due from retrocessionaires / protection cover reinsurers for liabilities falling under risks retroceded. Amounts recoverable from reinsurers are estimated in a manner consistent with the outstanding claims provision or settled claims associated with reinsured contract. Reinsurance assets are tested for impairment annually. A reinsurance asset is impaired if and only if there is objective evidence as a result of an event that occurred after initial recognition of the reinsurance asset, that the entity may not receive all amounts due to it under the terms of the contract and that event has a reliably measurable impact on the amounts that the entity will receive from the reinsurer.

3.22 Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in income or loss in the period in which they are incurred.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2009

4. SEGMENT INFORMATION

Primary segment information:

Segment information is presented in respect of the Group's business segments arising from the internal reporting structure and nature of business conducted. Transactions between segments are conducted at arms length and utilisation of Group resources is charged for on the basis of an internal funds transfer pricing system which is tied to market rates ruling from time to time. Measurement of segment assets and liabilities and segment revenues is based on the accounting policies as set out in note 3. The Group's identifiable business segments are as follows:

a) Banking

This segment provides a wide range of financial services to customers through a wide network of branches and electronic delivery channels. In the main, the core business of this segment is the provision of retail and commercial banking services. The product range includes deposit taking, personal and corporate lending, asset finance, mortgage finance, treasury management, corporate advisory services, medium to long term structured finance, share transfer and script management services, and a wide array of card-based facilities. The segment comprises the commercial banking operations and the building society operations.

b) Fund management

This segment provides fund management services to a wide array of investors through placement of either pooled portfolios or individual portfolios structured in terms of customers' investment mandates. Customers include individuals, corporates, institutions and the Government and invested funds are managed through a separate trust company.

c) Reinsurance and life assurance

This segment is primarily in the business of providing structured insurance products. The life assurance section provides life assurance services through the granting and purchasing of endowments on lives, the granting and sale or purchase of annuities present and deferred or reversionary on lives. The reinsurance section is in the business of accepting insurance premiums from insurance companies in order to indemnify the ceding insurance companies against a proportion of loss on an insurance contract.

d) Other

Key operations included under this segment are involved in the following businesses:

- Venture capital finance;
- Stock-broking services;
- Insurance broking services; and
- Strategic investments.

Secondary segment information:

As all operations of the Group are carried out in one country and in Southern Africa, no segment information has been provided in terms of the Geographic representation.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2009

4. SEGMENT INFORMATION (continued)

4.1 Segment results

	Banking US$	Fund management US$	Reinsurance and life assurance US$	Other operations including consolidation journals US$	Consolidated US$
31 December 2009					
Total income	12 527 323	223 073	22 656 942	(608 838)	34 798 499
Net loss contribution	(4 646 462)	44 852	4 441 927	(964 214)	(1 123 897)
Income tax credit	1 757 851	13 566	(536 043)	835	1 236 209
Profit for the year	(2 888 611)	58 418	3 905 884	(963 379)	112 312
Attributed to:					
Non-controlling interests	314 806	-	467 725	433 559	1 216 091
Owners of the parent	(3 203 417)	58 418	3 438 159	(1 396 938)	(1 103 779)
	(2 888 611)	58 418	3 905 884	(963 379)	112 312

4.2 Segment assets and liabilities

	Banking US$	Fund management US$	Reinsurance and life assurance US$	Other operations including consolidation journals US$	Consolidated US$
31 December 2009					
Operating assets	57 484 638	292 218	21 343 029	(1 160 068)	77 959 816
Property and equipment	36 926 198	69 595	1 355 434	611 078	39 926 305
Investment properties	4 439 000	281 000	3 088 775	-	7 808 775
Total assets	98 849 836	642 813	25 787 239	(548 990)	124 730 896
Segment liabilities	62 194 479	135 662	14 349 825	(408 793)	76 271 173
Shareholders' funds	33 756 710	480 626	10 852 823	(200 269)	44 889 890
Current tax liabilities	158 909	-	235 421	1 243	395 573
Deferred tax liabilities	2 739 738	26 525	349 170	58 827	3 174 260
Total equity and liabilities	98 849 836	642 813	25 787 239	(548 990)	124 730 896

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2009

5. PROPERTY AND EQUIPMENT

GROUP	Freehold properties US$	Leasehold improvements US$	Equipment, furniture & fittings US$	Computer equipment US$	Motor vehicles & mobile agencies US$	Total US$
Cost or valuation						
Balance at 1 January 2009 (Unaudited)	20 459 300	1 611 441	1 389 451	1 833 359	3 964 838	29 258 389
Additions	-	-	15 989	8 786	170 000	194 775
Surplus on revaluation	6 214 098	-	2 300 670	73 008	221 296	8 809 072
Disposals	-	-	(16 910)	(13 876)	(81 750)	(112 536)
Balance at 31 December 2009	26 673 398	1 611 441	3 689 200	1 901 277	4 274 384	38 149 700
Accumulated depreciation and impairment						
Depreciation	115 898	318 989	82 872	464 153	663 890	1 645 802
Impairment	-	-	42 771	195 276	198 119	436 166
Balance at the 31 December 2009	115 898	318 989	125 643	659 429	862 009	2 081 968
Net book value at 31 December 2009	26 557 500	1 292 452	3 563 557	1 241 848	3 412 375	36 067 732
Net book value at 1 January 2009	20 459 300	1 611 441	1 389 451	1 833 359	3 964 838	29 258 389

Property and equipment was revalued as at 31 December 2009 on the basis of valuations carried out by independent and professional valuers, BARD Real Estate, and in terms of accounting policy 3.8.

It has not been possible to fully comply with the requirements of International Accounting Standards (IAS 16: Property, Plant and Equipment), as regards disclosure of the carrying cost less accumulated depreciation of properties had revaluations not been performed. This information is not material in the context of the Group financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2009

6. INTANGIBLE ASSETS

GROUP	2009 US$	Unaudited 1 Jan 2009 US$
Computer software		
Carrying amount at 1 January 2009	3 361 363	3 361 363
Additions at cost	30 796	-
Amortisation	(497 587)	-
Balance at 31 December 2009	2 894 572	3 361 363
7. INVESTMENT PROPERTIES		
Carrying amount at 1 January 2009	6 556 387	6 556 387
Additions	120 000	-
Fair value adjustment	1 132 388	-
Balance at 31 December 2009	7 808 775	6 556 387

The fair value of the Group's investment properties as at 31 December, 2009 has been arrived at on the basis of valuations carried out by independent professional valuers, BARD Real Estate. The valuation conforms to International Valuation Standards, was in terms of accounting policy 3.20 and was derived with reference to market information close to the date of the valuation.

	2009 US$	Unaudited 1 Jan 2009 US$
8. GROUP INVESTMENTS		
8.1 Investments in associates		
Shares at deemed cost	1 034 731	1 034 731
Acquisition of shares through rights issue	271 920	-
Share of post acquisition revaluation reserves	399 699	-
Share of post acquisition losses	(185 403)	-
	1 513 947	1 034 731

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2009

8. GROUP INVESTMENTS (continued)

8.1 Investments in associates (continued)

The following were holdings representing investments by the Group in associate companies:

Name of company	% Holding	Nature of Business
Alexander Forbes (Private) Limited	40%	Insurance broking
Cell Insurance (Private) Limited	36.53%	Short-term insurance
Credit Insurance Company Limited	42.1%	Short-term insurance
Zimswitch Technologies (Private) Limited	27.68%	Information Technology

The effective shareholding in Cell Insurance (Private) Limited was increased to 36.59% following a rights issue which was completed in July 2009.

	2009 US$	Unaudited 1 Jan 2009 US$
Aggregated amounts relating to associate companies		
Total assets	6 431 844	2 305 449
Total liabilities	2 394 645	572
Revenue	2 086 857	-
Loss	(517 695)	-
Share of loss after tax	(185 403)	-

8.2 Investments in subsidiaries

	2009 US$	Unaudited 1 Jan 2009 US$
Owned by ZB Financial Holdings Limited:-		
ZB Bank Limited - 100%	20 131 930	5 008 269
Scotfin Limited - 100%	-	-
ZB Holdings Limited - 100%	1 082 352	13 111 280
Intermarket Holdings Limited - 84.26%	12 317 129	6 744 226
ZB Securities Limited 100%	105 782	67 196
Total investments in subsidiaries	33 637 193	24 930 971

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2009

8. GROUP INVESTMENTS (continued)

8.2 Investments in subsidiaries (continued)

Owned by ZB Financial Holdings Limited (continued):-

ZB Bank operates as a commercial bank whilst Scotfin Limited is registered to undertake asset finance business. The asset finance business operations are presently being carried out under ZB Bank Limited, leaving Scotfin Limited as a dormant company. ZB Securities Limited is a stockbrocking firm whilst ZB Holdings Limited and Intermarket Holdings Limited are holding companies for a number of companies involved in different sub-sectors of the financial sector in Zimbabwe as indicated below:

Owned by ZB Bank Limited:

	% Holding	Nature of Business
The Trustee Company of Central Africa (Private) Limited	100%	Investment
ZB Nominees (Private) Limited	100%	Investment
Syfrets Nominees (Private) Limited	100%	Investment
Barcelona Investments Limited	100%	Property

Owned by ZB Holdings Limited

	% Holding	Nature of Business
ZB Capital (Private) Limited	100%	Venture capital
Data Centre (Private) Limited	100%	Information processing
ZB Asset Management Company Limited	100%	Funds management
Syfrets Trust and Executor Limited	100%	Estates and trusts administration
Syfin Holdings Limited	100%	Investment
Syfrets Corporate Trustee Company (Private) Limited	100%	Investment

Owned by Intermarket Holdings Limited:

	% Holding	Nature of Business
ZB Reinsurance Limited	100%	Reinsurance
First Mortgage Investments (Private) Limited	100%	Dormant
Intermarket Banking Corporation Limited	96%	Commercial bank
ZB Stockbrokers (Private Limited)	75%	Dormant
ZB Life Assurance Limited	64%	Life assurance
ZB Building Society	59%	Building society

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2009

8. GROUP INVESTMENTS (continued)

8.2 Investments in subsidiaries (continued)

8.2.1 Impaired investment in subsidiary company

The investment in ZB Stockbrokers (Private) Limited has been carried at a nominal value of US$1 since the cessation of business following the emergence of irreconcilable differences with the then managing director of the company who also held minority interests in the business. The Group successfully applied through the High Court of Zimbabwe for a spoliation order and was able to recover some assets belonging to the business that had been appropriated by the former managing director. The Group is progressing the formal winding down of operations through a liquidation process.

8.2.2 Increase in investment in subsidiary company

The Group increased its shareholding in ZB Bank Limited from 84% to 100% following the execution of the share swap arrangement approved by members in March 2007 in terms of which former unit holders in Finhold Services (Private) Limited (FINSERVE) were allocated shares in the Company in exchange for the interest then held in ZB Bank Limited by FINSERVE.

Furthermore, in order to improve the regulatory capital of ZB Bank Limited, the Group concluded a capital injection exercise in terms of which the entire shareholding in Barcelona Investments Limited was ceded to ZB Bank Limited in exchange for an allotment of shares in ZB Bank Limited in favour of the Holding Company.

The financial effects of the aforementioned transactions were as follows:

	2009 US$
FINSERVE share swap transaction:	
Cost of share swap	1 760 399
Less: amount paid	(1 840 000)
Goodwill	(79 601)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2009

8. GROUP INVESTMENTS (continued)

8.2 Investments in subsidiaries (continued)

8.2.2 Increase in investment in subsidiary company (continued)

	2009 US$
Recapitalisation of ZB Bank Limited:	
Cost of investment	11 866 258
Less: amount paid	(11 808 033)
Negative goodwill	58 225
Movement in the goodwill amount:	
Arising from the FINSERVE share swap transaction	79 601
Arising from the recapitalisation of ZB Bank Limited	(58 225)
Impairment of goodwill	(21 376)
	-

	2009 US$	Unaudited 1 Jan 2009 US$
9. FINANCIAL ASSETS		
9.1 Non-current financial assets		
Assets classified as "fair value-through profit and loss":		
Listed equity investments	15 684 894	7 508 864
Unlisted equity investments	1 512 650	1 023 554
Bank balances	5 457 223	5 432 566
	22 654 767	13 964 984

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2009

9. FINANCIAL ASSETS (continued)

9.1 Non-current financial assets (continued)

	2009 US$	Unaudited 1 Jan 2009 US$
Movement of non-current financial assets		
Balance at 1 January 2009	13 964 984	13 964 984
Additions during the year:	2 426 271	-
- on listed equities	1 964 304	-
- on unlisted equities	461 967	-
Disposals	(1 308 526)	-
- on listed equities	(1 308 526)	-
- on unlisted equities	-	-
Fair value adjustments	7 572 038	-
- on listed equities	7 520 252	-
- on unlisted equities	27 129	-
- on bank balances	24 657	-
Balance at 31 December 2009	22 654 767	13 964 984

9.2 Current financial assets

	2009 US$	Unaudited 1 Jan 2009 US$
Assets classified as "Held to maturity"		
Fixed deposits	1 611 568	-
Grain Marketing Board Bond	36 668	-
	1 648 236	-

10. ADVANCES AND OTHER ACCOUNTS

	2009 US$	Unaudited 1 Jan 2009 US$
Loans, overdraft and other accounts	20 699 454	239
Balances receivable from insurance companies	1 694 456	2 688 693
	22 393 910	2 688 932
Mortgage advances	1 130 642	-
	23 524 552	2 688 932

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2009

10. ADVANCES AND OTHER ACCOUNTS (continued)

	2009 US$	Unaudited 1 Jan 2009 US$
Maturity analysis		
On demand	-	-
Within 1 month	14 628 132	-
Between 1 and 6 months	7 727 672	2 688 932
Between 6 and 12 months	38 106	-
After 12 months	1 130 642	-
	23 524 552	2 688 932
10.1 Non-performing loans		
Included in the above are the following non-performing loans:-		
Non-performing loans	569 166	-
Less: Specific provision	(226 200)	-
Less: Interest reserved	(25 030)	-
Value to be received from security held	317 936	-

For the secured non-performing loans, security exists in the form of liens registered over funded accounts, bonds registered over landed property and guarantees in various forms. The Group discounts the value of the security at hand using internal thresholds for prudential purposes. Generally no security value is placed on ordinary guarantees. The internally discounted value of the security held in respect of the non-performing book amounted to US$536 025 as at 31 December 2009.

	2009 US$	Unaudited 1 Jan 2009 US$
10.2 Sectoral analysis		
Private	2 504 478	-
Agriculture	3 800 534	-
Mining	9 179 285	-
Manufacturing	1 849 678	-
Distribution	1 044 814	-
Construction	171 347	-
Transport	7 848	-
Services	3 813 097	2 688 932

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2009

10. ADVANCES AND OTHER ACCOUNTS (continued)

10.2 Sectoral analysis (continued)

	2009 US$	Unaudited 1 Jan 2009 US$
Financial	184 152	-
Other	1 220 549	-
	23 775 782	2 688 932
Less: Specific provision	(226 200)	-
Less: Interest reserved	(25 030)	-
	23 524 552	2 688 932

10.3 Specific risk provision

	2009 US$	Unaudited 1 Jan 2009 US$
Balance at 1 January 2009	-	-
Charge to the income statement	226 217	-
Write offs charged to provision	(17)	-
Balance at 31 December 2009	226 200	-

The above provisions have been established in terms of the accounting policy 3.5.1.6 in respect of debts at 31 December 2009.

11. OTHER ASSETS

	2009 US$	Unaudited 1 Jan 2009 US$
Accrued interest	27 498	-
Inventories	1 107 214	946 850
Items in transit	270 385	297
Sundry receivables	981 495	1 473 969
	2 386 592	2 421 116

12. CASH AND SHORT TERM FUNDS

	2009 US$	Unaudited 1 Jan 2009 US$
12.1 Balances with the Reserve Bank of Zimbabwe	11 586 084	-

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2009

12. CASH AND SHORT TERM FUNDS (continued)

12.2 Balance with other banks and cash

	2009 US$	Unaudited 1 Jan 2009 US$
Current, nostro accounts and cash	14 579 619	7 862 535
Total cash and short term funds	26 165 703	7 862 535

The statutory reserve balance with the Reserve Bank of Zimbabwe is non-interest bearing and is not available to the Group for daily use. The balance is determined on the basis of deposits.

13. EQUITY AND RESERVES

13.1 Issued capital

	2009 US$	Unaudited 1 Jan 2009 US$
Company		
Authorised,		
1 000 000 000 (2008:ZWD1 x 10^{-12} (revalued) each) ordinary shares of US$0.01 each	10 000 000	-
Issued and fully paid;		
159 188 342 (2008: 159 188 342) ordinary shares of ZWD1 x 10^{-12} (revalued) each	-	-
16 000 000 (2008: nil) ordinary shares of US$0.01 each	160 000	-

Subject to the limitations imposed by the Companies Act (Chapter 24:03) and the Regulations of the Zimbabwe Stock Exchange, the Articles of Association permit the Directors to allot the unissued shares amounting to 824 811 658. ZWD denominated issued and fully paid shares will be cancelled and re-issued as USD shares after the next Annual General Meeting.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2009

13. EQUITY AND RESERVES (continued)

13.2 Fully paid ordinary shares

	Share capital US$	Share premium US$
Balance at 1 January 2009	-	-
Issue of ordinary shares	160 000	1 680 000
Balance at 31 December 2009	160 000	1 680 000

Fully paid shares carry one vote per share and carry a right to dividends.

	2009 US$	Unaudited 1 Jan 2009 US$
13.3 Other components of equity		
General reserve	1 426 988	-
Properties and equipment revaluation reserve	8 725 792	-
Functional currency conversion reserve	23 838 130	25 883 468
	33 990 910	25 883 468
13.3.1 Properties and equipment revaluation reserve:		
Balance at 1 January 2009	-	-
Increase on revaluation of properties	8 809 072	-
Share of associate companies' revaluation reserve	392 699	-
Transfer to non controlling interests	(44 595)	-
Deferred tax liability arising on revaluation	(520 574)	-
Balance at 31 December 2009	8 725 792	-

The properties and equipment revaluation reserve arises on the revaluation of both movable and immovable property which is carried out regularly in terms of accounting policy note 3.8. Where revalued property or equipment is sold, the portion of the revaluation reserve that relates to the asset is effectively realized and is transferred directly to retained income.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2009

13. EQUITY AND RESERVES (continued)

13.3 Other components of equity (continued)

13.3.1 Properties and equipment revaluation reserve: (continued)

The Companies Act (Chapter 24:03) does not restrict the distribution of the properties and equipment revaluation reserve except that, in the event of cash distributions, adequate liquidity must be available to meet the cash payout without leaving the organization in an illiquid position. Generally, there are no restrictions on the payment of "bonus shares" out of the properties and equipment revaluation reserve. Amounts may also be effectively distributed out of the properties and equipment revaluation reserve as part of a share buy-back.

	2009 US$
13.3.2 General reserves:	
Balance at 1 January 2009	-
Regulatory reserve in respect of doubtful debts	115 507
Transfer from retained income	1 311 481
Balance at 31 December 2009	1 426 988

The general reserve is used to carry the general bad debts provision computed in terms of prudential guidelines on provisioning applied internally by the Group and developed in line with provisions established by supervisory authorities. The general reserve is also used to transfer profits from retained income from time to time. There is no formal policy regarding the regularity of such transfers.

The transfer from the functional currency conversion reserve and retained income in the current year was based on the life assurance company's surplus after bonus declaration to the life fund and is intended to protect that company's solvency position against a fall in the market values. The level of the reserve was based on recommendations from the company's independent actuaries.

	2009 US$	Unaudited 1 Jan 2009 US$
13.3.3 Functional currency conversion reserve		
Balance at 1 January 2009	25 883 468	-
Arising from acquisition of subsidiary	(1 057 322)	-
Transfer to non-controlling interests	(1 822 500)	-
Transfer to general reserve	834 484	-
Arising from redenomination of balances	-	25 883 468
Balance at 31 December 2009	23 838 130	25 883 468

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2009

13. EQUITY AND RESERVES (continued)

13.4 Accumulated loss and dividends:

	2009 US$	Unaudited 1 Jan 2009 US$
Balance at 1 January 2009	-	-
Profit attributable to equity holders of parent	(1 103 779)	-
Transfer to general reserves in respect of regulatory reserve for doubtful debts	(115 507)	-
Transfer to general reserves in respect of investments for life fund	(508 993)	-
Balance at 31 December 2009	(1 728 279)	-

In order to preserve the capital of the Group, the Directors of the Company have not declared a dividend for the year ended 31 December 2009.

13.5 Non-controlling interests:

	2009	1 Jan 2009
Carrying balance at 1 January 2009	10 226 032	10 226 032
Arising from capitalisation of subsidiary	1 822 500	-
Increase on revaluation of properties	(44 595)	-
Profit attributable to non-controlling interests	1 216 091	-
Arising from acquisition of subsidiary	(761 302)	-
Transfer to general reserve	(1 636 972)	-
Deferred tax	(34 495)	-
Balance at 31 December 2009	10 787 259	10 226 032

13.6 Tax effect relating to each component of other comprehensive income:

	Before tax amount US$	Tax (expense) benefit US$	Net of tax amount US$
Gains on property revaluation	8 809 072	(555 069)	8 254 003
Share of associate companies' revaluation reserve	392 699	-	392 699
	9 201 771	(555 069)	8 646 702

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2009

14. SHARE BASED PAYMENTS

The last Executive Staff Share Option Scheme which was established in 1998 expired on 3 March 2008. Staff members who did not benefit from that scheme are beneficiaries of the ZB Financial Holdings Staff Trust, a dividend distribution vehicle controlling 5 273 438 issued shares of the Company.

15. LIFE ASSURANCE FUNDS

Life assurance funds are due to contributing policyholders at the life company as determined by the terms and conditions or practices applicable to each policy. Policy contracts issued by the life company transfer insurance or financial risk, or, in some instances, both.

Insurances contracts result in the Group accepting significant insurance risk from the policyholder by agreeing to compensate the policyholder if a specified uncertain future event (the insured event) adversely affects the policyholder. Significant insurance risk is defined as the possibility of having to pay benefits on the occurrence of an insured event that are significantly more than the benefits payable if the insured event did not occur.

Investment contracts, on the other hand, are those that transfer financial risk with no significant insurance risk. Financial risk is the risk of possible future change in one or more of a specified interest rate, financial instrument price, commodity price, index of prices or rates, credit rating or any other variable.

Insurance contracts are valued in terms of the Financial Soundness Valuation (FSV) basis, on a gross premium valuation methodology and the liability is reflected in the statement of financial position. The liability is based on assumptions of the best estimate of future experience, plus compulsory margins for prudent liabilities, plus additional discretionary margins. Such valuation is carried out annually by independent actuaries.

Life fund liabilities are supported by assets which have been included under total assets as follows:

	2009 US$	Unaudited 1 Jan 2009 US$
Listed equities	8 921 593	4 187 094
Unlisted equities	789 210	758 875
Investment properties	1 645 132	1 414 367
Funds on deposit	547 674	-
Gross assets	11 903 609	6 360 336
Less: Deferred tax liabilities	(154 020)	(94 006)
Net assets	11 749 589	6 266 330

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS(continued)

For the year ended 31 December 2009

16. DEFERRED TAX LIABILITIES

	2009 US$	Unaudited 1 Jan 2009 US$
Deferred tax movement		
Balance at 1 January 2009	4 466 791	-
Charge to the income statement	(1 895 620)	-
Arising from the revaluation of property and Equipment	555 069	-
Transferred to deferred tax asset	48 020	-
Arising from the redenomination of opening balances	-	4 466 791
Balance at 31 December 2009	3 174 260	4 466 791
Deferred taxation comprises:		
Temporary differences arising from:		
Property and equipment	3 663 131	4 466 791
Fair value adjustments on financial assets	34 974	-
General provisions and deferred income	(1 329 561)	-
Other	805 716	-
	3 174 260	4 466 791

17. OTHER LIABILITIES

	2009 US$	Unaudited 1 Jan 2009 US$
Non-current liabilities - long term provisions		
Unearned premium	415 808	3 757 881
Incurred but not yet reported claims reserve	1 008 344	719 430
	1 424 152	4 477 311
Current liabilities - trade and other payables		
Interest accrued on deposits	71 084	-
Items in transit	2 988 882	2 699 767
Accrued expenses and provisions	213 488	151 253
Policyholders claims intimated but not paid	60 967	-
Trade payables	7 523 166	3 274 957
	10 857 587	6 125 977

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2009

18. DEPOSITS AND OTHER ACCOUNTS

18.1 Summary of deposits by type

	2009 US$	Unaudited 1 Jan 2009 US$
Balances of banks	1 165 088	359 232
Current accounts	3 149 860	-
Savings and call accounts	34 652 995	9 361 296
Fixed deposits	13 056 714	-
Term deposits	50 101	-
Other	162 851	-
	52 237 609	9 720 528

18.2 Maturity analysis

	2009 US$	Unaudited 1 Jan 2009 US$
On demand	2 170 909	-
Within 1 month	30 037 071	5 039 880
Between 1 and 6 months	17 405 956	2 808 389
Between 6 and 12 months	979 107	1 872 259
After 12 months	1 644 566	-
	52 237 609	9 720 528

All deposits were unsecured as at 31 December 2009.

18.3 Deposit concentration

	2009 US$	Unaudited 1 Jan 2009 US$
Private individuals	13 707 908	3 502 378
Agriculture	2 862 933	897 421
Mining	2 680 190	54 145
Manufacturing	1 622 366	1 575 428
Distribution	5 475 860	488 550
Construction	206 468	34 276
Transport	2 012 601	31 799
Services	11 499 849	1 894 631
Financial	5 946 680	1 177 860
Other	6 222 754	64 039
	52 237 609	9 720 528

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2009

19. NET INTEREST INCOME

19.1 Interest income

	2009 US$
Interest income comprises interest on:	
Advances	4 008 200
Overdraft accounts	20 804
Cash and short-term funds	119 813
	4 148 817

19.2 Interest expense

	2009 US$
Interest expense comprises interest on:	
Retail deposits	182 104
Fixed deposits	923 604
Short-term funds	1 985
Other interest payable categories	3 514
	1 111 207
Net interest income	3 037 610

20. OTHER OPERATING INCOME

	2009 US$
Commission and fees	6 952 964
Exchange gains	360 854
Dividends from investments	16 564
Loss on disposal of property and equipment	(54 814)
Gain on disposal of investments	111 763
Rent received	454 208
Other	539 645
	8 381 184

21. FAIR VALUE ADJUSTMENTS

	2009 US$
On financial instruments	7 572 038
On investment properties	1 132 388
	8 704 426

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2009

22. OPERATING EXPENSES

	2009 US$
Commission and fees	3 542 649
Staff expenses	9 764 067
Pension fund expenses	383 096
National Social Security Authority expenses	40 587
Communication expenses	694 424
Computers and information technology expenses	738 811
Occupation expenses	2 517 095
Transport expenses	683 852
Traveling expenses	152 109
Depreciation and amortisation	2 143 389
Administration expenses	2 424 570
Directors' fees	119 564
Impairment of property and equipment	436 166
	23 216 696
Included in operating expenses are the following:	
Auditors' remuneration	111 505
- For audit	111 505
- For other services	-

23. INCOME TAX CREDIT

Group:	
Current income tax	646 325
Deferred tax	(1 895 620)
Tax effect on share of results of associates	13 086
	(1 236 209)

Zimbabwean corporation tax is calculated at an effective rate of 30.9 per cent (2008: 30.9 per cent) of the estimated taxable profit for the year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2009

23. INCOME TAX EXPENSE (continued)

	2009 US$
Reconciliation of current income tax:	
Loss before taxation	(1 123 897)
Current tax on profits at basic rates	(347 284)
Increase / (reduction) arising from:	
- Exempt income	50 157
- Expenditure not allowed	30 120
- General provisions and deferred income	177
- Capital allowances in excess of depreciation	473 267
- Prepaid expenses	(32 452)
- Fair value adjustments	472 339
	646 325

24. LOSS PER SHARE

	2009 US$
Basic and fully diluted loss per share	(0.01)

The calculation of basic and fully diluted loss per share for the year ended 31 December 2009 of US$0.01 is based on the attributable loss after tax of US$1 103 779 and weighted average number of shares of 163 188 342.

25. CASH FLOWS FROM OPERATING ACTIVITIES

	2009 US$
Net cash from operating activities	
Loss before taxation	(1 123 897)
Adjustments for:	
Fair value adjustments on investments	(7 572 038)
Fair value adjustments on investments properties	(1 132 388)
Depreciation and amortisation	2 143 389
Impairment loss on property and equipment	436 166
Loss on disposal of fixed asset	54 814
Gain on disposal of investments	(111 763)
Specific and general provisions	226 217
Share of associate companies income	172 317
Impairment of goodwill	21 376

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2009

25. CASH FLOWS FROM OPERATING ACTIVITIES (continued)

	2009 US$
Operating cash flows before changes in working capital	(6 885 805)
Increase in fixed deposits	(1 611 568)
Increase in Grain Marketing Board Bonds	(36 668)
Increase in mortgage advances	(1 130 642)
Decrease in other assets	34 618
Increase in advances and other accounts	(19 931 196)
Increase in deposits and other accounts	42 517 081
Increase in amounts clearing to other banks	2 142
Increase in other liabilities	1 678 452
Increase in life assurance funds	5 483 259
Cash generated by operations	20 119 671

26. AGENCY ACTIVITIES

The Group provides agency services to individuals, trusts, retirement benefit plans and other institutions, whereby it manages assets or invests funds received in various financial instruments at the direction of the customer. The Group receives fee income for providing these services. Assets held by the Group on behalf of clients were as follows:

	2009 US$
Funds under management	
Investors' funds in ZB Investments	
Nominees (Private) Limited	655 121
Investors' funds in ZB Unit Trust Funds	4 128 075
	4 783 196
Represented by:	
Investments in money market instruments	2 499 483
Investments in equity instruments	2 283 713
	4 783 196

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2009

27 RELATED PARTY TRANSACTIONS

Transactions between the Company and its subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed in this note. Transactions between the Group and other non-subsidiary related parties are carried out at arms length and follow the normal vetting processes as established in the Group.

27.1 Lending to related parties

There were no advances in favour of related parties as at the reporting date.

27.2 Remuneration of key management personnel

The remuneration of the Directors, who are the key management personnel of the Group, is set out below

	2009 US$
Directors' remuneration	
- fees paid by the Company	28 000
- fees paid by subsidiaries	91 564
	119 564

27.3 Directors' transactions

Loans to directors and officers	-

28. CONTINGENT LIABILITIES AND CAPITAL COMMITMENTS

28.1 Contingent liabilities

	2009 US$	Unaudited 1 Jan 09 US$
In respect of warranties and indemnities issued in pursuance of the re-capitalisation of Intermarket Banking Corporation (Zambia) Limited	5 523 415	5 523 415
In respect of guarantees	6 354 968	211 125
	11 878 383	5 734 530

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2009

28. CONTINGENT LIABILITIES & CAPITAL COMMITMENTS

28.2 Capital commitments

	2009 US$	Unaudited 1 Jan 2009 US$
In respect of expenditure authorised and contracted	1 760 000	-
In respect of expenditure authorised but not contracted	-	-
	1 760 000	-

29. PENSION ARRANGEMENTS

All permanent staff, other than those over age, are contributory members of at least one of the following independently administered pension funds.

29.1 Defined contribution plan

The Group operates defined contribution plan for all qualifying employees as follows:

ZB Financial Holdings Limited Pension Fund:

All members of the Group that were previously members of various defined benefit schemes were moved to the defined contribution scheme at the beginning of 2009. The scheme is administered separately and all assets are under the control of a board of trustees.

The Group's liability in respect of this fund is limited to the level of contributions at the rates specified in the rules of the plans.

	2009 US$
Total expense recognised in the income statement	383 096

29.2 National Social Security Authority

The Defined Benefit scheme was promulgated under the National Social Security Authority Act 1989. The Group's obligations under the scheme are limited to specific contributions as legislated from time to time and are presently 4% of pensionable emoluments (2008: 3%) per month per employee. Contributions by the Group amounted to US$40 587 for the year ended 31 December 2009.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2009

30. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Financial instruments held by the Group are analysed as per notes 9, 10, 17 and 18.

30.1 Capital risk management

The primary objectives in managing capital at the Group are:

- To guarantee the ability of entities within the Group to continue as going concerns whilst providing an equitable return to the Group's shareholders and benefit to customers and other stakeholders.
- To maintain a strong fall back position which is commensurate with the level of risk undertaken by the entities within the Group in the normal course of their business.
- To comply with the regulatory capital requirements as prescribed by relevant authorities.

The Group's capital consists of equity attributable to the shareholders of the parent company, comprising the issued share capital, reserves and retained income as disclosed in note 13 and debt, which includes direct loans plus the residual funding from deposit taking activities after deducting the associated liquid or near-liquid assets.

The Group's operating target is to maintain operating assets at a level that is higher than the available operating funds at all times in order to restrict recourse on shareholders' equity for operational funding. This objective was met at all times during the course of the year under review.

Consequently, gearing was maintained at nil throughout the year.

The banking and asset management and insurance operations in the Group are subject to prescribed minimum regulatory capital requirements and minimum capital adequacy and solvency ratios as prescribed from time to time. All operations except Intermarket Banking Corporation Limited (IBCL) met the prescribed minimum capital levels and capital adequacy and solvency ratios during the course of the year. IBCL is in the process of being amalgamated with ZB Bank Limited thus obviating the need for further capital injection into the business.

Management of the Group monitors the level of capital adequacy on a continual basis, employing techniques adopted from the guidelines developed by the Basel Committee and contained in the Basel II capital accord as implemented by the supervisory authorities for each of the affected entities.

30.2 Financial risk management

The Group maintains active trading positions in a variety of non-derivative financial instruments in anticipation of customer demand. The Group manages its trading activities by type of risk involved and on the basis of the categories of trading instruments held. Regular feedback on risk related matters is provided to the Board through the Board Risk Committee.

The Group defines financial risk collectively to include liquidity risk, market risk and credit risk.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2009

30. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

30.2 Financial risk management (continued)

30.2.1 Liquidity risk

Definition

Liquidity risk arises in the general funding of the Group's activities and in the management of positions. It includes the risk of being unable to fund liabilities at appropriate maturities and rates and the risk of being unable to liquidate an asset at a reasonable price and in an appropriate time frame.

Identification techniques

This risk is identified through gap and maturity analyses.

Measurement methods

Liquidity risk is measured using the gap analysis techniques and the term structure of assets and liabilities.

Impact evaluation

Liquidity risk is considered low for the Group based on its ability to expeditiously mobilise resources in the market.

Strategies for management/mitigation

The Group has access to a diverse funding base and can raise funds using a broad range of instruments including deposits, liabilities evidenced by paper and share capital. The Group has funding flexibility and this limits dependence on any one source of funding.

Liquidity risk is managed by Group Treasury in consultation with the Assets and Liabilities Management Committee.

Monitoring and controlling mechanisms

The funding gap is monitored through a number of management reports including maturity profiles. The Group continually assesses risk by identifying and monitoring changes in funding required to meet business objectives and targets set in terms of the overall Group strategy. Other tools used are the imposition of dealer limits, reporting on facility utilizations and excesses that require management attention.

Adequacy and effectiveness of risk management systems

The liquidity risk management and control mechanisms in place are adequate, effective and are adhered to by all staff members.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2009

30. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

2009	Up to 1 month US$	2 to 6 months US$	7 to 12 months US$	Above 12 months US$	Other US$	Total US$
LIQUIDITY GAP ANALYSIS						
Assets						
Property and equipment	-	-	-	-	36 067 732	36 067 732
Intangible assets	-	-	-	-	2 894 572	2 894 572
Investment properties	-	-	-	-	7 808 775	7 808 775
Properties in possession	-	-	-	-	18 000	18 000
Investment in associates	-	-	-	-	1 513 947	1 513 947
Mortgage advances	-	-	-	1 130 642	-	1 130 642
Deferred tax asset	-	-	-	-	48 020	48 020
Other financial assets	-	1 648 236	-	-	22 654 767	24 303 003
Other assets	94	2 386 498	-	-	-	2 386 592
Advances and other accounts	14 628 132	7 727 672	38 106	-	-	22 393 910
Cash and short term funds	26 165 703	-	-	-	-	26 165 703
	40 793 929	11 762 406	38 106	1 130 642	71 005 813	124 730 896
Liabilities						
Total equity	-	-	-	-	44 889 890	44 889 890
Life assurance funds	-	-	-	-	11 749 589	11 749 589
Deferred tax liabilities	-	-	-	-	3 174 260	3 174 260
Trade and other payables	-	10 857 587	-	1 424 152	-	12 281 730
Current tax liabilities	-	-	-	-	395 573	395 573
Amounts clearing to other banks	2 236	-	-	-	-	2 236
Deposits and other accounts	32 207 980	17 405 956	979 157	1 644 516	-	52 237 609
	32 210 216	28 263 543	979 157	3 068 668	60 209 312	124 730 896
Period gap	8 583 713	(16 501 137)	(941 051)	(1 938 026)	10 796 501	-
Cumulative gap	8 583 713	(7 917 424)	(8 858 475)	(10 796 501)	-	-

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2009

30. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

Liquidity ratios

	2009 US$	Unaudited 1 Jan 09 US$
Total liquid assets	26 165 703	7 862 535
Total liabilities to the public	52 237 609	9 720 528
Liquidity ratio	50%	81%
Minimum statutory liquidity ratio	10%	10%
Regulated banking operations, ZB Bank Limited and ZB Building Society reported liquidity ratios that were above the minimum regulated ratios as follows:		
ZB Bank Limited	49%	68%
ZB Building Society	45%	100%

30.2.2 Market risk

Market risk arises from adverse movements in the market place which cause interest rate, foreign exchange rate and equity price fluctuations in the markets in which the Group operates.

30.2.2.1 Interest rate risk

Definition

The Group's operations are subject to the risk of interest rate fluctuations to the extent that interest-earning assets and interest bearing liabilities mature or reprice 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 Group's business strategies.

Identification techniques

Interest rate risk is identified using the term structure of assets and liabilities.

Measurement methods

Rate sensitive assets and liabilities are analyzed and a maturity profile exhibited.

Impact evaluation

The Group has evaluated this risk as medium. Adequate systems are in place to ameliorate the risk.

Strategies for management / mitigation

The Assets and Liabilities Committee (ALCO) reviews the gap analyses and appropriate action is taken to keep risk within acceptable limits. In the main, lending is linked to the Group's prime rate and is funded through short-term borrowings thus narrowing the gap.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2009

30. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

30.2.2.1 Interest rate risk (continued)

Monitoring and controlling mechanisms

ALCO meets regularly to discuss the future direction of interest rates after the economic fundamentals have been analyzed. Decisions are then taken on rate sensitive assets and liabilities. If there are changes in the economic fundamentals that have not been forecast, an ad hoc ALCO meeting will be called to discuss the issues and chart a way forward.

Adequacy and effectiveness of risk management systems

The interest rate risk management systems noted above are adequate and effective in dealing with the interest rate risk.

2009	Up to 1 month US$	2 to 6 months US$	7 to 12 months US$	Above 12 months US$	Non-interest bearing US$	Total US$
INTEREST RATE						
Assets						
Property and equipment	-	-	-	-	36 067 732	36 067 732
Intangible assets	-	-	-	-	2 894 572	2 894 572
Investment properties	-	-	-	-	7 808 775	7 808 775
Properties in possession	-	-	-	-	18 000	18 000
Investment in associates	-	-	-	-	1 513 947	1 513 947
Mortgage advances	-	-	-	1 130 642	-	1 130 642
Deferred tax asset	-	-	-	-	48 020	48 020
Other financial assets	-	1 648 236	-	-	22 654 767	24 303 003
Other assets	94	2 386 498	-	-	-	2 386 592
Advances and other accounts	14 628 132	7 727 672	38 106	-	-	22 393 910
Cash and short term funds	-	-	-	-	26 165 703	26 165 703
	14 628 226	11 762 406	38 106	1 130 642	97 171 516	124 730 896

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2009

30. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

2009	Up to 1 month US$	2 to 6 months US$	7 to 12 months US$	Above 12 months US$	Non-interest bearing US$	Total US$
INTEREST RATE (continued)						
Liabilities						
Total equity	-	-	-	-	44 889 890	44 889 890
Life assurance funds	-	-	-	-	11 749 589	11 749 589
Deferred tax liabilities	-	-	-	-	3 714 260	3 714 260
Trade and other payables	-	10 857 587	-	1 424 152	-	12 281 739
Current tax liabilities	-	-	-	-	395 573	395 573
Amounts clearing to other banks	2 236	-	-	-	-	2 236
Deposits and other accounts	32 207 980	17 405 956	979 157	1 644 516	-	52 237 609
	32 210 216	28 263 543	979 157	3 068 668	60 209 312	124 730 896
Period gap	(17 581 990)	(16 501 137)	(941 051)	(1 938 026)	36 962 204	-
Cumulative gap	(17 581 990)	(34 083 127)	(35 024 178)	(36 962 204)	-	-

30.2.2.2 Foreign exchange risk

Definition

Foreign exchange risk is the risk that arises from adverse changes in foreign exchange rates and emanates from a mismatch between foreign currency inflows and outflows.

Identification techniques

The risk is identified through the analysis of the Group's open foreign exchange positions.

Measurement methods

The risk is measured through the Group's open foreign exchange positions.

Impact evaluation

The Group has evaluated this risk as low in view of the low volumes traded and the multi-currency environment.

Strategies for management/mitigation

The risk is managed through ALCO directives, compliance with the requirements of the Reserve Bank of Zimbabwe and market analysis techniques.

Monitoring and controlling mechanisms

The risk is controlled through the use of dealer limits placed on the overall foreign exchange position.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2009

30. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

30.2.2.2 Foreign exchange risk (continued)

Adequacy and effectiveness of risk management system

Management is confident that the foreign exchange risk management systems in place are adequate, effective and are complied with in all material respects by all staff members.

Foreign currency position

The carrying amount of the Group's non United States Dollar monetary assets and liabilities as at 31 December 2009 were as follows:

	2009 US$	Unaudited 1 Jan 2009 US$
Total assets	4 294 803	3 422 553
Total Liabilities	(3 164 176)	(1 542 260)
Net foreign currency position	1 130 627	1 870 293

The Group's main exposure to foreign currency risk arises from the commitments for licence and support fees for information technology platforms that were sourced from foreign suppliers.

30.2.2.3 Equity price risk

Definition

Equity price risk is the possibility that equity prices will fluctuate affecting the fair value of equity investments that derive their value from a particular equity investment or index of equity prices.

Identification techniques

The Group tracks the performance of all its equity investments using the price lists issued by members of the Zimbabwe Stock Exchange.

Measurement methods

Based on the price lists from the members of the Zimbabwe Stock Exchange, the Group quantifies the risk.

Impact evaluation

Equity price risk is assessed as medium since the Group's portfolio is well diversified.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2009

.30. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

30.2.2.3 Equity price risk (continued)

Strategies for management/mitigation

The Group manages its exposure to equity price risk by maintaining a diversified portfolio.

Adequacy and effectiveness of risk management system

The risk management system has proved adequate and effective in managing equity price risk.

Sensitivity analysis

A 10% increase / decrease in the value of listed shares as at 31 December 2009 would have resulted in an increase / decrease of US$2 million to the Group's reported profit and an increase / decrease in the statement of financial position of US$2 million.

Value of opening balances

Opening listed investments price sensitivity analysis

The directors have determined the deemed opening cost of listed investments based on the prices quoted on the Zimbabwe Stock Exchange on the 2nd of March 2009. The Financial Reporting Guidance published jointly by the PAAB and ZSE encouraged entities to adopt the opening quoted prices on 19 February 2009 unless the preparer could establish other reasonable prices. There was a significant decline in the value of prices quoted on the ZSE between the 19th of February 2009 and the 2nd of March 2009, and there was a thin level of trading on the 19th of February 2009.

If the prices quoted on the 19th of February 2009 were adopted as the deemed cost, the impact on the financial statements would be:

Opening statement of financial position at 31 December 2008

- Non-distributable reserves would increase by US$11.4 million as a result of the changes in fair value of listed investments.

Statement of comprehensive income for the year ended 31 December 2009

- fair value loss on listed investments for the year ended 31 December 2009 would be US$16.6 million
- net profit for the year ended 31 December 2009 would decrease by US$11.4 million.

Closing statement of financial position at 31 December 2009

- Aside from the impact on the classification within the different equity components there is no other impact on the statement of financial position for the year ended 31 December 2009.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2009

30. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

30.2.3 Credit risk

Definition

Credit risk is the risk that a counter party will not honour its obligations to the Group as and when they become due.

Identification techniques

Before granting facilities to a prospective customer, the Group uses a credit risk scoring system. Bad credit risks are identified through the low points scored and the proposals are declined at that juncture. Subsequent to granting facilities, the Group regularly reviews facilities, and in instances where problems have been experienced, the facilities are downgraded.

Measurement methods

The risk is measured through assessing the risk of default using a credit risk-rating matrix.

Impact evaluation

Credit risk is rated medium in the Group as the systems for identification measurement and controlling the risk are effective.

Strategies for management/mitigation

The Group has a credit risk management process which operates through a hierarchy of exposure discretions. All exposures above a certain level require the approval of the Board Credit Committee's which comprises executive and non-executive Directors. Exposures below the Board Credit Committee's discretion are approved according to a system of tiered exposure discretions consisting of Divisional and Group Credit Committees.

Monitoring and controlling mechanisms

Regular credit audits and reviews are conducted and problem accounts are highlighted and management action is taken as appropriate.

Adequacy and effectiveness of risk management systems

The credit risk management and control techniques alluded to above are adequate and effective and all staff members are required to adhere to them.

The table below shows the credit exposure by client quality classification:

Classification	2009 US$	Unaudited 1 Jan 2009 US$
Good	22 821 793	2 688 932
Sub-standard	169 180	-
Doubtful	512 400	-
Loss	21 179	-
	23 524 552	2 688 932

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2009

30. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

30.2.3 Credit risk (continued)

Sensitivity analysis

A 10% change in the assets classified as good to marginal category of a "loss" classification would result in the reported profit being reduced by US$1.6 million and the total assets in the statement of financial position being reduced by US$2.3 million.

30.3 Other business risks

30.3.1 Operational risk

Definition

Operational risk is inherent in all business activities and this is the potential of loss arising from deficiencies in internal control systems, poor operational standards, errors and deliberate acts of fraud and collusion to override internal control systems.

Identification techniques

The Board Audit Committee, through the medium of the internal audit function, assesses the efficacy of the internal accounting controls and makes recommendations for improvement to the Board of Directors.

Measurement methods

The risk is measured through risk workshops, interviews, research and control and risk self-assessments.

Impact evaluation

The Group has assessed this risk category as medium based on the adequate internal control system.

Strategies for management/mitigation

The Group manages the risk through staff training and development, segregation of duties, reviewing the work performed and regular internal and independent audits. Further, the Group has administration manuals to guide staff in the execution of their duties and these manuals are reviewed from time to time.

Monitoring and controlling mechanisms

Any losses incurred as a result of this risk are reported through the line to the Board Audit Committee and lessons learnt from each incident are used as case studies in training staff, improving the control procedures and the control environment.

Adequacy and effectiveness of risk management systems

Management is confident that the operational risk management systems noted above are adequate, effective and are adhered to in all material respects by all staff members.

30.3.2 Legal, reputational and compliance risks

Definition

Legal risk is the risk that the Group can be involved in litigation resulting in loss of money and/or impaired reputation. Compliance risk refers to the risk of failure to comply with material rules, regulations and laws.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2009

30. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

30.3.2 Legal, reputational and compliance risks (continued)

Identification techniques

All agreements entered into by the Group are reviewed by the Legal and Investigations Department to make sure that they are consistent with normal market practices.

Measurement methods

The Group has a Compliance Department which monitors and ensures that the Group is complying with all the rules, regulations and laws of the country in all material respects. The Group Compliance Officer reports to the Board Audit Committee on a quarterly basis on all compliance related issues.

Impact evaluation

The Group considers this risk as low in the view of the adequate systems of internal controls.

Strategies for management through mitigation

The Group manages this risk through staff training and development, regular and independent audits.

Monitoring and controlling mechanisms

Any losses incurred are reported to the Board Audit and Board Executive Committees. Lessons learnt are used in staff training to avoid recurrences.

Adequacy and effectiveness of the risk management system

The management system for legal, reputational and compliance risks is adequate and effective and all staff members adhere to the system.

30.3.3 Technological risk

Definition

This includes innovation, or the lack thereof, obsolescence, explosions and dependability of the technological platform.

Identification techniques

An Information Technology Committee which reviews developments and proposes enhancements to the technological platform is in place. The Group also has Business Continuity Plans (BCP) and Disaster Recovery Plans (DRP) and these are tested and maintained up to date. Access to computer systems is restricted to authorized personnel through a hierarchy of authority levels.

Impact evaluation

The Group considers this risk as low in view of the stability of the current technology platform, the in-house expertise that has been gained over the years and the strong support available from the vendor of the platform.

Measurement methods

The Group measures the risk through setting and monitoring the maximum tolerances for system downtimes, ensuring that the reports are available at the appropriate times and generally that operational efficiency is being achieved.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2009

30. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

30.3.3 Technological risk (continued)

Strategies for management/mitigation

The Group manages this risk through staff training and development, regular and independent audits. Issues are also escalated to the vendor as appropriate and these are always resolved expeditiously. Further, the Group updates BCPs and DRPs regularly and also conducts business continuity and disaster recovery tests twice per year.

Monitoring and controlling mechanisms

The deadlines for the production of all reports are monitored strictly. Any system breakdowns are attended to and reported promptly to ensure that appropriate corrective action is instituted. The Group constantly reviews new technologies and adopts them where appropriate. All computer rooms are temperature controlled and well ventilated. Access is restricted to authorized persons only. There are various levels of access to the system based on the seniority of the officers concerned.

Adequacy and effectiveness of risk management systems

The management system for identifying, monitoring and controlling technological risk is adequate and effective and all staff members adhere to the system.

30.3.4 Solvency risk

Definition

Solvency risk is the risk that the Group may incur liabilities that are far in excess of its ability to pay leading to financial distress.

Identification techniques

The Group strictly monitors the assets and liabilities and has set limits to the liabilities that can be incurred and the placements arising therefrom. The loan/deposit ratio is monitored regularly and corrective action instituted where appropriate.

Impact evaluation

The Group considers this risk as low as there are adequate systems of identifying, monitoring and controlling solvency risk.

Measurement methods

The Group measures this risk through setting maximum levels for loan/deposit ratios and reviewing the relationship between liabilities and assets through maturity profiles and term structures.

Strategies for management/mitigation

The Group manages the risks through setting limits for the loan/deposit ratio and ensuring that these limits are not exceeded.

Adequacy and effectiveness of risk management systems

The management system for identifying, monitoring and controlling solvency risk is adequate and effective and all staff members adhere to the system.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2009

30. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

30.3.5 Underwriting risk

Definition

Underwriting risk in reinsurance business is the probability of losses incurred in a given reinsurance period exceeding premium in the corresponding period. On the other hand in life assurance business underwriting risk is the risk that the actual exposure to mortality and disability risks will exceed the best estimate of the statutory valuator, thereby causing financial loss.

Impact evaluation

The underwriting risk in reinsurance business would only materialize in the case of a catastrophe. The risk in case of a catastrophe has been reinsured and is limited to US$150 000 and concentration of insurance risk is in fire and motor classes, as management consider these classes to be profitable. There is no concentration of risk in terms of exposure to single customers.

Measurement methods

In life assurance business, all applications for life and disability cover are assessed using sound underwriting techniques and methods, including HIV testing, where necessary. Mortality and disability investigations are periodically carried out and actuarial assumptions are adjusted accordingly.

Strategies for management/mitigation

In reinsurance business, this is normally mitigated by the purchase of reinsurance from the London insurance market annually. All mortality and disability risks above periodically determined retention levels are reassured with professional reassurance firms.

Details of underwriting risk in reinsurance business are as follows:

	2009 US$
Total insurance risk before retrocession	4 000 000
Retroceded risk	(3 000 000)
Insurance risk after reinsurance	1 000 000

30.4 Risk rating

30.4.1 Regulatory risk rating

The Reserve Bank of Zimbabwe conducts regular offsite and onsite examinations of the institutions that it regulates. The last on-site examination of the Company was concluded on the 21st of October, 2009, using data as at 30 September 2009.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2009

30. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

30.4 Risk rating (continued)

30.4.1 Regulatory risk rating (continued)

Being a Bank Holding Company (BHC), the condition of ZB Financial Holdings Limited was assessed using the RFI/(C)D rating system which is an acronym for Risk Management; Financial Condition; Potential Impact of the of the parent company and non-depository subsidiaries on the subsidiary depository institutions; Composite rating based on an evaluation and rating of its managerial and financial condition and; An assessment of the subsidiary Depository institutions.

ZB Bank Limited and ZB Building Society were assessed using the Risk Assessment System (RAS) and the CAMELS[1] rating model whilst ZB Asset Management Company was rated using the CEFM[2] model.

The individual components of the rating systems were rated as follows:

	Latest Rating			
RFI/(C)D/CAMELS/CEFM Component	ZB Bank	ZB Building Society	ZB Asset Management	ZB Financial Holdings Company
Risk Management	n/a	n/a	n/a	3
Financial Condition	n/a	n/a	n/a	2
Impact	n/a	n/a	n/a	2
Composite rating	n/a	n/a	n/a	2
Depository Institutions	n/a	n/a	n/a	2
Capital Adequacy	2	2	2	n/a
Asset Quality	2	2	n/a	n/a
Management	2	3	3	n/a
Earnings	3	4	3	n/a
Liquidity and Funds Under Management	3	3	2	n/a
Sensitivity to Market Risk	2	2	n/a	n/a
Composite rating	**2**	**3**	**2**	**2**

Key: 1 = Strong; 2 = Satisfactory; 3 = Fair; 4 = Weak; 5 = Critical

[1] "CAMELS" stands for Capital Adequacy, Asset Quality, Management, Earnings, Liquidity Management and Sensitivity to market risk.

[2] "CEFM" stands for Capital Adequacy, Earnings, Funds Under Management and Management

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2009

30. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

30.4 Risk rating (continued)

Summary of Risk Assessment

RAS Component	Latest Rating			
	ZB Bank	ZB Building Society	ZB Asset Management	ZB Financial Holdings Company
Aggregate inherent risk	Moderate	Moderate	Moderate	Moderate
Quality of aggregate risk management systems	Acceptable	Acceptable	Acceptable	Acceptable
Overall composite risk	Moderate	Moderate	Moderate	Moderate
Direction of overall composite risk	Stable	Stable	Stable	Stable

Overall Risk Matrix – ZB Financial Holdings Limited

Type or Risk	Level of Aggregate Inherent Risk	Adequacy of Aggregate Risk Management Systems	Overall Composite Risk	Direction of Overall Composite Risk
Credit	Minor	Acceptable	Low	Stable
Liquidity Risk	Moderate	Acceptable	Moderate	Stable
Interest Rate Risk	Moderate	Acceptable	Moderate	Stable
Foreign Exchange Risk	Moderate	Acceptable	Moderate	Stable
Strategic Risk	Moderate	Acceptable	Moderate	Stable
Operational Risk	High	Acceptable	Moderate	Increasing
Legal & Compliance Risk	Moderate	Acceptable	Moderate	Stable
Reputational Risk	Moderate	Acceptable	Moderate	Stable
Overall Risk	**Moderate**	**Acceptable**	**Moderate**	**Stable**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2009

30. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

30.4 Risk rating (continued)

Overall Risk Matrix – ZB Bank Limited

Type or Risk	Level of Aggregate Inherent Risk	Adequacy of Aggregate Risk Management Systems	Overall Composite Risk	Direction of Overall Composite Risk
Credit Risk	Minor	Acceptable	Low	Stable
Liquidity Risk	Moderate	Acceptable	Moderate	Stable
Interest Rate Risk	Moderate	Acceptable	Moderate	Stable
Foreign Exchange Risk	Moderate	Acceptable	Moderate	Stable
Strategic Risk	Moderate	Acceptable	Moderate	Stable
Operational Risk	High	Acceptable	High	Increasing
Legal & Compliance Risk	Moderate	Acceptable	Moderate	Stable
Reputational Risk	Moderate	Acceptable	Moderate	Stable
Overall Risk	Moderate	Acceptable	Moderate	Stable

Overall Risk Matrix – ZB Building Society

Type or Risk	Level of Aggregate Inherent Risk	Adequacy of Aggregate Risk Management Systems	Overall Composite Risk	Direction of Overall Composite Risk
Credit Risk	Low	Acceptable	Low	Stable
Liquidity Risk	Moderate	Acceptable	Moderate	Stable
Interest Rate Risk	Minor	Acceptable	Low	Stable
Foreign Exchange Risk	Minor	Acceptable	Low	Stable
Strategic Risk	Moderate	Acceptable	Moderate	Stable
Operational Risk	Moderate	Acceptable	High	Increasing
Legal & Compliance Risk	Moderate	Acceptable	Moderate	Stable
Reputational Risk	Moderate	Acceptable	Moderate	Stable
Overall Risk	Moderate	Acceptable	Moderate	Stable

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2009

30. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

30.4 Risk rating (continued)

Overall Risk Matrix – ZB Asset Management Company Limited

Type or Risk	Level of Aggregate Inherent Risk	Adequacy of Aggregate Risk Management Systems	Overall Composite Risk	Direction of Overall Composite Risk
Strategic Risk	Moderate	Acceptable	Moderate	Stable
Operational Risk	High	Acceptable	High	Increasing
Legal & Compliance Risk	Moderate	Acceptable	Moderate	Stable
Reputational Risk	Moderate	Acceptable	Moderate	Stable
Financial Risk	Moderate	Acceptable	Moderate	Stable
Overall Risk	Moderate	Acceptable	Moderate	Stable

Interpretation of risk matrix

Level of Inherent Risk

Low - reflects a lower than average probability of an adverse impact on a banking institution's capital and earnings. Losses in a functional area with low inherent risk would have little negative impact on the banking institution's overall financial condition.

Moderate - could reasonably be expected to result in a loss which could be absorbed by a banking institution in the normal course of business.

High - reflects a higher than average probability of potential loss. High inherent risk could reasonably be expected to result in a significant and harmful loss to the institution.

Adequacy of Risk Management Systems

Weak - risk management systems are inadequate or inappropriate given the size, complexity and risk profile of the banking institution. Institution's risk management systems are lacking in important ways and therefore a cause of more than normal supervisory attention. The internal control systems will be lacking in important aspects particularly as indicated by continued control exceptions or by the failure to adhere to written policies and procedures.

Acceptable - management of risk is largely effective but lacking to some modest degree. While the institution might be having some minor risk management weaknesses, these have been recognized and are being addressed. Management information systems are generally adequate.

Strong - management effectively identifies and controls all types of risk posed by the relevant functional areas or per inherent risk. The board and senior management are active participants in managing risk and ensure appropriate polices and limits are put in place. The policies comprehensively define the bank's risk tolerance, responsibilities and accountabilities are effectively communicated.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2009

30. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

30.4 *Risk rating (continued)*

Overall Composite Risk

Low - would be assigned to low inherent risk areas. Moderate risk areas may be assigned a low composite risk where internal controls and risk management systems are strong and effectively mitigate much of the risk.

Moderate - risk management systems appropriately mitigates inherent risk. For a given low risk area, significant weaknesses in the risk management systems may result in a moderate composite risk assessment. On the other hand, a strong risk management system may reduce the risk so that any potential financial loss from the activity would have only a moderate negative impact on the financial condition of the organization.

High - risk management systems do not significantly mitigate the high inherent risk. Thus, the activity could potentially result in a financial loss that would have a significant impact on the bank's overall condition.

Direction of Overall Composite risk

Increasing - based on the current information, risk is expected to increase in the next twelve months

Decreasing - based on current information, risk is expected to decrease in the next twelve months.

Stable - based on the current information, risk is expected to be stable in the next twelve months.

30.4.2 External credit ratings

Some of the Group's significant trading companies subscribe to an internationally recognised rating agency, Global Credit Rating Company (GCR)[3], and the ratings for the last three (3) years were as follows:

Long-term debt rating scale:[3]

Entity	2009	2008	2007
ZB Bank Limited	BBB+	A	A-
ZB Building Society	BBB-	BBB-	BBB-
ZB Reinsurance Company	BBB+	A-	BBB
ZB Life Assurance Company	Not rated[4]	BBB+	BBB

All ratings above fall within the "Investment Grade". The current ratings expire on the 31st of May 2010.

[3] GCR suspended short-term bank ratings in Zimbabwe from 2006 owing to the volatility of the economic environment. At the same time, all long-term ratings were placed on rating watch due to the resultant pricing risk attached to the potential roll-over of government debt, the impact that this would have on profitability across the sector and ultimately the ability to meet new capital requirements.

[4] ZB Life Assurance Company was not rated in 2009 as business volumes were too low to warrant a detailed rating exercise

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2009

31 LIMITATION OF FINANCIAL REPORTING IN THE GENERAL ENVIRONMENT PREVAILING

The uncertainties in the adverse Zimbabwean economic environment prior to introduction of trading in multiple currencies resulted in limitations in financial reporting.

The inflation indices applicable to the Zimbabwe Dollar during the period prior to formalisation of multi-currency trading were not published from 31 July 2008. Estimates by economists, of Zimbabwe Dollar inflation in the period post 31 July 2008 were wide ranging and extremely high (percentages in excess of hundreds of trillions to quadrillions, in some cases). It was impossible to reliably measure inflation in Zimbabwe during this period because the rate of change of inflation on a daily basis was extremely high. Any attempt to measure inflation was subject to various limitations because reliable and timely price data was not available. The inability to reliably measure inflation was also exacerbated by the existence of multiple exchange rates, the use of foreign currency for some transactions and the existence of multiple pricing criteria for similar products based on the mode of settlement.

However, on 29 January 2009 the Monetary and Fiscal authorities authorised the use of multiple foreign currencies for trading in Zimbabwe. This resulted in a change in the functional currency for most entities reporting in Zimbabwe. In accordance with the requirements of International Financial Reporting Standards, entities are required to convert their financial statements into the new functional currency at the date of changeover.

The Group was not able to convert its Zimbabwe Dollar transactions incurred prior to the formalisation of multi-currency trading into the new functional currency for reasons explained in note 33.

As a result of these uncertainties and inherent limitations, the directors advise caution on the use of all comparative information, the income statement, the statement of comprehensive income, statement of cash flows and statement of changes in equity for decision making purposes. The Directors, however, believe that the statement of financial position fairly presents the assets and liabilities of the Group and therefore fairly presents the shareholder's equity. However, the Directors have not been able to present the Group's equity into its various components as required by International Accounting Standard 1: “Presentation of Financial Statements” as further explained in note 34.

32 NON-COMPLIANCE WITH IAS 21 (THE EFFECTS OF FOREIGN EXCHANGE RATES) IN RESPECT OF OPENING BALANCES

The Group's functional currency changed during the course of the financial year from Zimbabwe Dollars to United States dollars. The Company has chosen to report all its transactions in United States dollars because it is the new functional currency applicable to all current transactions.

The Group has not been able to comply with the requirements of IAS 21 because this standard requires that all transactions that are in the currency of a hyperinflationary economy be adjusted to a unit of measure current at the measurement date before conversion to an alternative presentation currency. The Company has not been able to adjust its Zimbabwe Dollar transactions to comply with IAS 29 as more fully explained in note 31.

Transactions that were previously reported in Zimbabwe Dollars in prior periods need to be converted into United States dollars in order to present the prior year financial information in a similar currency of presentation to the current financial year. Due to the macroeconomic environment prevailing in the previous year, as explained in note 31, the comparative information disclosed is misleading. The Directors advise caution in using the comparative information presented in these financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2009

33 COMPARATIVE INFORMATION

With the exception of the statement of financial position and its related notes, the Directors have not presented comparative information because they believe that it will be misleading. Due to the prevailing economic environment in the previous year as described in note 31, it is not possible to convert financial statements into United States Dollars in a manner consistent with IAS 21 and IAS 29 as described in notes 31 and 32.

34 COMPOSITION OF EQUITY ON THE STATEMENT OF FINANCIAL POSITION

The directors were unable to present the composition of equity that is reflected on the statement of financial position. The Group changed its functional currency from the Zimbabwe Dollar to the United States Dollar with effect from 1 January 2009. The circumstances that gave rise to the change are explained in Note 31 above and in common with other entities in Zimbabwe, the Group is unable to report the change in its financial statements in accordance with International Financial Reporting Standards as explained in note 32.

Equity was recognised as the residual of the Group's net assets and has been treated as a non-distributable reserve.

35 GOING CONCERN ASSUMPTION

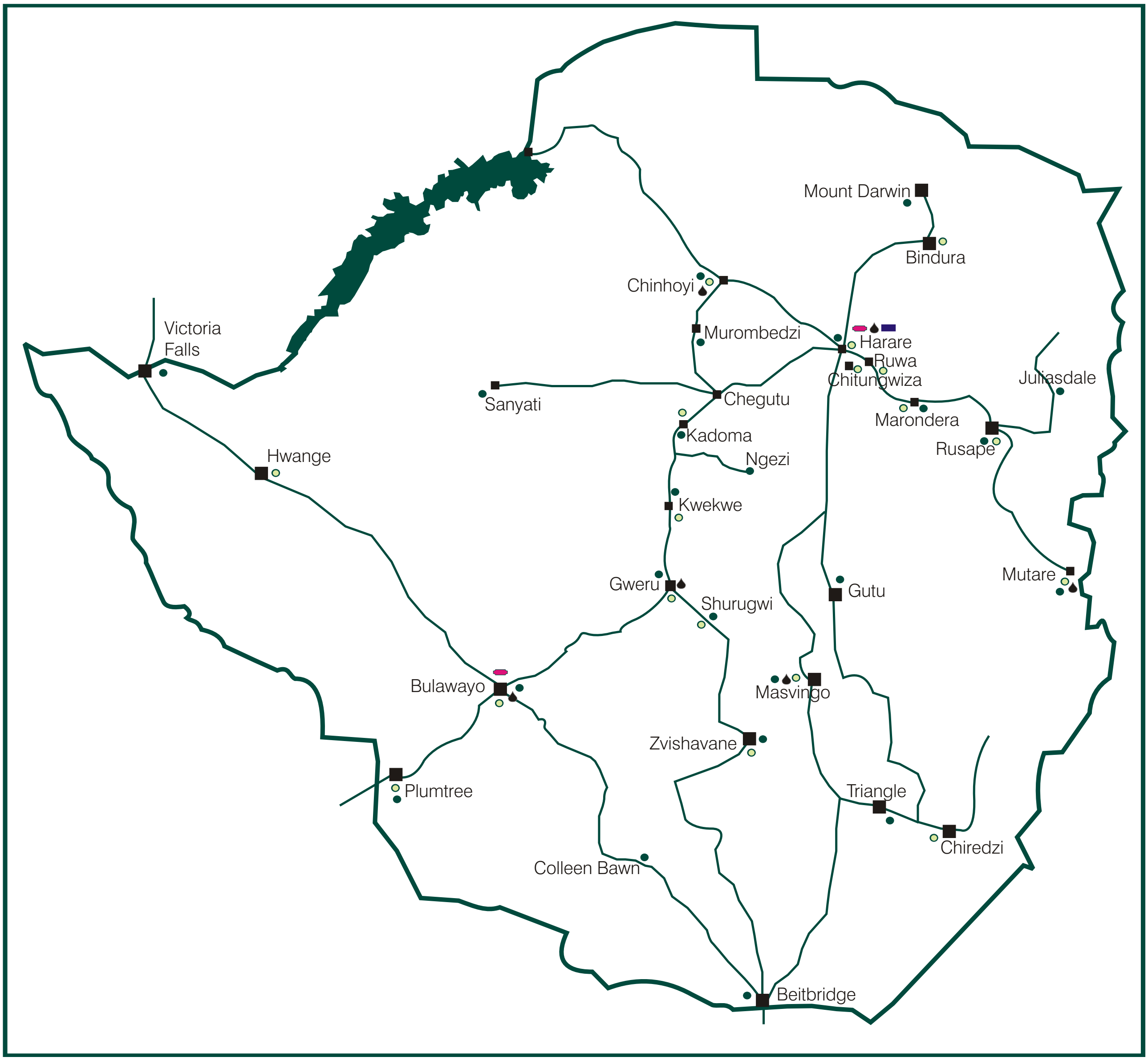
The Directors have assessed the ability of the Group to continue operating as a going concern and believe that the preparation of these financial statements on a going concern basis is still appropriate.

36. COMPLIANCE WITH REGULATIONS

It is the requirement of the Insurance Act (Chapter 24:07) that a Life Assurance entity should maintain at least 30% of its investments in prescribed assets for long term insurance and 35% at market value. The minimum percentage was not maintained throughout the year ended 31 December 2009, although the Group complied with the transitional requirements which state that all insurance companies and pension funds will apply 40% of their net monthly cash flows to purchase prescribed assets as stipulated in Circular 4/2005, issued by the Insurance and Pensions Commissioner.

The directors are not aware of any other material cases of non-compliance with regulations governing the operations of all companies within the Group.

THE ZB FINANCIAL HOLDINGS GROUP BRANCH NETWORK



KEY

- ZB Bank units
- ZB Building Society
- ZB Stock Brokers
- ZB Reinsurance
- ZB Life Assurance

THE ZB FINANCIAL HOLDINGS GROUP BRANCH NETWORK (continued)

ZB Financial Holdings Head Office and Registered Office
10th Floor ZB House
46 Speke Avenue
P O Box 3198
Harare
Telephone: 751168/75, 757539/43
Fax: 251029
E-mail: info@zb.co.zw
Web address: www.zb.co.zw

Business Risk
4th Floor ZB House
46 Speke Avenue
P O Box 3198
Harare
Telephone: 751168/75, 757539/43
Fax: 251029
E-mail: info@zb.co.zw
Web address: www.zb.co.zw

ZB BANK UNITS

Group Credit Services Harare
11th Floor ZB Centre
Corner First Street / Kwame Nkrumah Ave
P O Box 3198
Harare
Telephone: 796841/49
Fax: 759663
E-mail: info@zb.co.zw
Web address: www.zb.co.zw

Group Credit Services Bulawayo
Cnr Fife Street and 10th Avenue
P O Box 849
Bulawayo
Telephone: (09) 888501/5, 75031/9
Fax: (09)75030, 76032
E-mail: info@zb.co.zw
Web address: www.zb.co.zw

Group Treasury
5th Floor ZB House
46 Speke Avenue
P O Box 3198
Harare
Telephone: 751168/75, 757539/43
Fax: 757514, 754261
E-mail: info@zb.co.zw
Web address: www.zb.co.zw

International Business and Trade Finance
Upper 1 Floor, ZB House
46 Speke Avenue
P O Box 2520
Harare
Telephone: 751168/75, 757539/43
Fax: 751168/74, 754859
E-mail: info@zb.co.zw
Web address: www.zb.co.zw

Investment Banking
1st Floor ZB Centre
Corner First Street / Kwame Nkrumah Ave
P O Box 2540
Harare
Telephone: 781274/773730
Fax: 796857/759673
E-mail: info@zb.co.zw
Web address: www.zb.co.zw

Consumer Banking
12th Floor ZB Centre
Corner First Street / Kwame Nkrumah Ave
P O Box 3198
Harare
Telephone: 781236/74, 796842/3
Fax: 759667
E-mail: info@zb.co.zw
Web address: www.zb.co.zw

THE ZB FINANCIAL HOLDINGS GROUP BRANCH NETWORK (continued)

Airport Branch
Harare International Airport
P O Box 4189
Harare
Telefax: 575364

Avondale Branch
King George Road
P O Box A92
Harare
Tel: 302798/334281-5
Fax: 302798

Borrowdale Branch
34 Sam Levy Village
P O Box Bw491
Harare
Tel: 883162/885685-8
Fax: 883167

Chisipite Branch
2 Hindhead House
P O Box CH 233
Harare
Tel: 495145/495161
Fax: 495161

Colleen Bawn Branch
Stand No 90
P.O Box 40
Colleen Bawn
Tel (0284) 24445-6
Fax (0284) 24445

Douglas Road Branch
Cnr Lytton Road/Douglas Road
P O BOX St491
Harare
Tel: 753946/51/77218/2/4/6
Fax: 772181

First Street Branch
46 Speke Avenue
P O Box 820
Harare
Tel: 757471-9
Fax: 752211

Graniteside Branch
108 Seke Road
tHarare
Tel : 772062/6
Fax: 772063

Juliasdale Branch
Plot No 49
Clavemont Estates
Juliasdale
Tel (029) 3078
Fax (029) 3079

Ngezi Branch
Turf Complex
Ngezi

Shurugwi Branch
No 6 Beit St
Shurugwi
Tel (052) 6813

Zvishavane Branch
No 86 Fowler Road
Zvishavane
Tel (051) 2934, 2718, 2670

Msasa Branch
Colonade Complex Beverley West
P O Box Ay160
Amby
Telefax: 486427

Rotten Row Branch
Cnr Rotten Row/Samora Machel Avenue
P O Box 3038
Harare
Telefax: 774281/9, 774303/9

Beitbridge Branch
Bloomfield Centre
P O Box 250
Beitbridge
Tel: (086) 2641-3
Fax: (086) 22817

THE ZB FINANCIAL HOLDINGS GROUP BRANCH NETWORK (continued)

Belmont Branch
10 Birmingham Road
P O Box 8025
Bulawayo
Tel: (09) 61795 / 7
Fax: (09) 889579

Jason Moyo Branch
Old Mutual Centre
Cnr Jason Moyo St/ 8th Avenue
P O Box 2148
Harare
Tel: (09) 882491-9
Fax: (09) 68801

Chinhoyi Branch
Stand 47 Magamba Way
P O Box 399
Chinhoyi
Tel: (067) 22274, 23146
Fax: (067) 25845

Gutu Mpandawana Branch
Stand 362/3 Mpandawana
P O Box 19
Gutu
Tel: (030) 2493, 2564/6
Fax: (030) 2565

Gweru Branch
36 R Mugabe Way
P O Box 736
Gweru
Tel: (054)222501, 222607

Kadoma Branch
42 R. Mugabe Street
P O Box 430
Kadoma
Tel: (068) 22113/3/42984

Kwekwe Branch
Cnr 3rd Avenue/R Mugabe Street
P O Box 478
Kwekwe
Tel: (055) 22813/4, 21672
Fax: (055) 24124

Marondera Branch
Ash Street
P O Box 414
Tel: (079)24001, 24002
Fax: (079) 24204

Masvingo Branch
Electricity House
R. Mugabe Street
P O Box 600
Masvingo
Tel: (039) 262856/7 263327/8
Fax: (039) 265285

Murombedzi Branch
Murombedzi Township
P O Box 100
Murombedzi
Tel: (0678) 2133, 2131
Fax: (0678) 2133

Mutare Branch
88 Herbert Chitepo Street
P O Box 646
Mutare
Tel: (020) 63587, 63582
Fax: (020) 68673

Mt Darwin Branch
Cnr Hospital/ Bindura Road
P O Box 110
Mt Darwin
Tel: (076) 2532, 3335
Fax: (076) 2633

Plumtree Branch
Kingsway Drive
P Bag 5924
Tel: (019) 2282, 2416
Fax: (019) 2415

THE ZB FINANCIAL HOLDINGS GROUP BRANCH NETWORK (continued)

Sanyati Branch
Sanyati Branch
Stand 39/42
P Bag 2002
Sanyati
Tel: (0687) 2569, 2507-10
Fax: (0687) 2388

Triangle Branch
Ground Floor, Vernon Crooks Court
Tel: (033) 5461-3, 6992
Fax: (033) 6993

Victoria Falls Branch
P O Box 100
Victoria Falls
Livingstone Way
Tel: (013) 45441-2, 42005/7
Fax: (013) 42070

ZB BUILDING SOCIETY

First Street Branch
Intermarket Chambers
15 George Silundika Avenue
Cnr 1st Street
Harare
Tel: 780916

Finsure Branch
Finsure Hse
Cnr Sam Nujoma & Kwame Nkrumah
Harare
Tel: 790880/9 ext 237/8

Avondale Branch
Shop 15 Avondale Shopping Centre
Harare
Tel: 333428,336744

Newlands Branch
Mon Repos Building
Newlands Intermarket Branch
Harare
Tel: 776565/746599

Chitungwiza Branch
Old Mutual Properties C/O Intermarket Building Society
Shop 5 Chitungwiza Town Centre
Chitungwiza
Tel: (070)22282/3

Marondera Branch
Shop No. 2 The Green
Marondera
Tel: (079)22127, 23924,22983

Mutare Branch
85 Herbert Chitepo Street
Mutare
Tel: (020)63782/63790

Bindura Branch
28 Main Street
Bindura
Tel: (071)6373/6870

Chinhoyi Branch
47 Magamba Way
Chinhoyi
Tel: (067)22056/25490/70

Rusape Branch
Stand No.20
Hebert Chitepo Street
Rusape
Tel: (025)2395/2336/2847

Kwekwe Branch
35 Nelson Mandela Way
Kwekwe
Tel: (055)21473/4 23097/8

Masvingo Branch
378 R. Mugabe Way
Masvingo
Tel: (039)263296/7

THE ZB FINANCIAL HOLDINGS GROUP BRANCH NETWORK (continued)

Gweru Branch
53-61 Sixth Street
Gweru
Tel: (054)225031/2/3/4/5

Harare
Chiyedza House,
First Street / Kwame Nkrumah Avenue
Harare
Tel: (04) 708891 / 706441
Fax: (04) 895372

Masvingo
FBC House
179 Robertson Street
P O Box 1741
Masvingo
Tel: (039) 265835 / 262991 / 265859
Fax: (039) 263745

Mutare
Intermarket Centre
First Avenue
P O Box 598
Mutare
Tel: (020) 63790
Fax: (020) 64054

ZB REINSURANCE

Harare Office
5th Floor ZB Centre
Cnr 1st Street & Kwame Nkruma
P O Box 10528 Harare
Zimbabwe
Tel: 759735-7
Fax: (04) 751877
E-mail: info@zbre.co.zw/ info@zb.co.zw
Website: www.zb.co.zw

Bulawayo Office
2nd Floor ZB Centre
9th Avenue
Bulawayo
Tel: (09) 65631/3
Fax: (09) 71002
E-mail: info@zb.co.zw
Website: www.zb.co.zw

ZB SECURITIES
1st Floor
ZB Centre
Corner First Street/ Kwame Nkrumah Ave
P O Box 3198
Harare
Tel: (04) 796841/6

ZB FINANCIAL HOLDINGS LIMITED
'Investing in Potential'

Form of Proxy

I/We..
(Name in block) of

(Address in block)..

Being (a) member (s) of ZB Financial Holdings Limited and entitled to ………………...……. votes / shares held, do hereby appoint

.... Of...
or, failing him / her the Chairman of the Meeting as my/our proxy to attend, speak and vote for me/us on my/our behalf at the Annual General Meeting of members of the Company to be held in the Boardroom, 9th Floor, ZB House, 46 Speke Avenue, Harare, on 25 June 2010, commencing at 1030hrs, and any adjournment thereof as follows:

ORDINARY BUSINESS

Resolution Number	Type of resolution	Provision of the resolution	In favour of	Against	Abstain
1	Ordinary resolution	To receive, consider, and adopt the Financial Statements and the Reports of the Directors and Auditors for the financial year ended 31 December 2009.			
2	Ordinary resolution	2.1 To note the passing on of Mr Richard C. Hove, the former Chairman, on 21 August 2009. To note the election of Mr Bothwell P. Nyajeka on 27 November 2009 as the new Chairman of the Company's Board of Directors. 2.2 To elect directors in terms of Articles 61 and 68 of the Articles of Association of the Company. 2.2.1 Mr Michael N. Ndudzo retires by rotation in terms of Article 68 of the Company's Articles of Association, and being eligible, offers himself for re-election. 2.2.2 Mr Thamsanqa P. B. Mpofu and Mr Elliot Munemo were appointed to the Board on 14 October 2009. In terms of Article 61, of the Company's Articles of Association, the two retire at the Annual General Meeting, and being eligible offer themselves for election.			
3	Ordinary resolution	To approve the remuneration of Directors for the past financial year.			
4	Ordinary resolution	4.1 To approve the remuneration for Deloitte and Touche for the past financial year's audit in terms of Article 112 of the Articles of Association of the Company. 4.2 To note the retirement in compliance with Section 41 (4) of the Banking Act (Chapter 24:20) of Messrs Deloitte and Touche of Harare as Auditors of the Company. 4.3 To appoint auditors of the Company in terms of Article 112 of the Articles of Association of the Company.			

SPECIAL BUSINESS

Resolution Number	Type of resolution	Provision of the resolution	In favour of	Against	Abstain
1	Special resolution	At the last Annual General Meeting, members approved the re-denomination of the authorized share capital of the Company to a nominal value of One United States of America Cent (US$0.01). At that time, it was not possible to re-assign share capital and share premium amounts on the statement of financial position in respect of shares already in issue and denominated in Zimbabwean dollars as the statement of financial position was yet to stabilise after the adoption of the United States dollar as the reporting currency. Now that the statement of financial position has stabilized, it is now necessary to cancel all ZWD denominated shares in issue and replace them with newly re-denominated shares. Shareholders will thus be required to resolve, with or without amendment: "THAT, shares in issue, consisting of 175,188,342 ordinary shares presently denominated in Zimbabwean Dollars, be cancelled and, in their stead, 175,188,342 ordinary shares denominated in United State Dollars be issued. All such newly issued shares will rank *pari-passu* in all respects. The re-issue of shares will be funded by the transfer of a balance of US$25,883,468.00 presently accounted for under the 'Functional Currency Translation Reserve'."			
2	Special resolution	Shareholders resolved at the last Annual General Meeting to allow the Company to purchase its own shares subject to the provision that such purchased shares would not exceed ten percent (10%) of the Company's issued share capital. The authority expires at the forthcoming Annual General Meeting. In view of the fact that the targeted threshold of shares has not yet been met, shareholder will be requested to resolve, with or without amendments: "THAT the authority to purchase own shares granted at the last Annual General Meeting be and is hereby extended up to the next Annual General Meeting under the same terms"			

GENERAL BUSINESS

Resolution Number	Type of resolution	Provision of the resolution	In favour of	Against	Abstain
1	Ordinary resolution	To transact such other business as may be transacted at an annual general meeting.			

Please indicate with an "X" in the spaces provided how you wish your votes to be cast. If no indication is given, the proxy will vote or abstain at his/her own discretion.

SIGNED at …………………………...………………on the ……...……..day of June 2010

Full name (s)……………….…………………………………....................................……………………………Signature (s) of member (s)……………………..................................……………………………….....
(In block letters)

NOTES:

In terms of the Companies Act (Chapter 24:03), a member entitled to attend and vote at a meeting is entitled to appoint a proxy to attend and vote on a poll and speak in his stead.

i. To be valid the form of proxy should be completed and returned to the Company Secretary, 10th Floor ZB House, 46 Speke Avenue, Harare and should be received at least 48 hours before the scheduled time of the Annual General Meeting.

ii. Completion of a form of proxy does not preclude a person from subsequently attending and voting in person at the Annual General Meeting.

NOTES

NOTES

ZB Financial Holdings Head Office and Registered Office
10th Floor ZB House, 46 Speke Avenue P O Box 3198, Harare, Telephone: +263 -4- 751168/75, +263 -4- 757539/43, Fax: +263 -4- 251029
E-mail: info@zb.co.zw
Web address: www.zb.co.zw