ZB Financial Holdings Limited

Annual Report 2010

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
KPMG
Mutual Gardens
100 The Chase (West)
Emerald Hill
P O Box 6
Harare
Tel: +263 -4- 303700, 302600
Fax: +263 -4- 303699
E-mail: marketing@kpmg.co.zw
Website: www.kpmg.com

Board of Directors
B P Nyajeka (Chairman), E N Mushayakarara (Group Chief Executive), E Hamandishe, F Kapanje, T P B Mpofu, E Munemo, J D Nhavira

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NOTICE TO SHAREHOLDERS

Notice is hereby given that the Twenty Second 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, 24 June 2011, commencing at 1030hrs 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, 2010.

2. Directorate

2.1. Mr. Eria Hamandishe was appointed to the Board of the Company on 25 July, 2010. In terms of Article 61 of the Company's Articles of Association, he retires by rotation at this meeting and, being eligible, offers himself for re-election.

2.2. Mr. Bothwell Patrick Nyajeka retires by rotation in terms of Article 68 of the Company's Artciles of Association, and, being eligible, offers himself for re-election.

2.3. Mr. John Davidson Nhavira retires from the Board at the Annual General Meeting.

3. Remuneration of Directors

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

4. External Auditors

4.1. To ratify the appointment of KPMG Chartered Accountants (Zimbabwe) as the Company's auditors for 2010

4.2. To approve the remuneration for KPMG Zimbabwe for the past financial year's audit in terms of Article 112 of the Articles of Association of the Company.

4.3. To re-appoint KPMG as the Company's auditors for the ensuing year.

SPECIAL BUSINESS

5. As a special resolution:

5.1. Extension of authority to purchase own shares.

Shareholders resolved at the Company's Annual General Meeting of 2009 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.

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

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

GENERAL BUSINESS

6. 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
26 May, 2011
10th Floor, ZB House
46 Speke Avenue
HARARE

ANALYSIS OF SHAREHOLDERS as at 31 December 2010

Shares held	Number	% Spread	Shares held	% Holding
1 - 500	242	17.24	51 330	0.03
501 - 1000	115	8.19	90 572	0.05
1001- 10000	486	34.62	2 955 066	1.69
10001 - 20000	356	25.36	4 997 297	2.85
20001 - 50000	125	8.90	3 324 159	1.90
50001 - 100000	19	1.35	1 458 331	0.83
100001 - 500000	37	2.64	7 393 423	4.22
5000001 - 10000000	21	1.50	37 337 500	21.31
10000001 and over	3	0.20	117 580 665	67.12
Total	1404	100.00	175 188 343	100.00

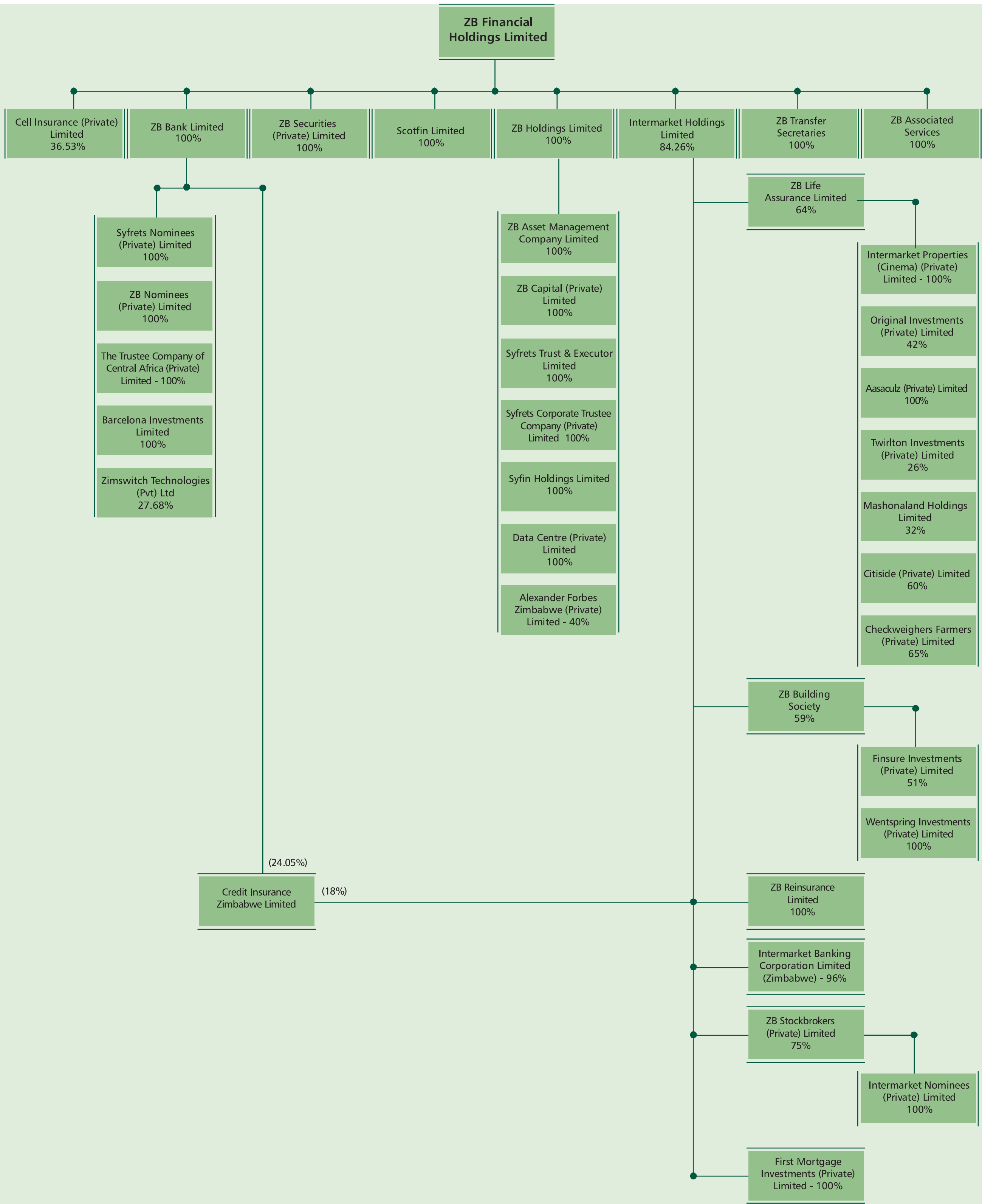
ANALYSIS BY CATEGORY

Shareholders	Number	% Spread	Shares held	% Holding
Individuals	1169	83.26	24 694 276	14.10
Companies	128	9.12	59 003 441	33.68
FCDA resident and new non resident	11	0.78	297 315	0.17
Pension fund	21	1.50	68 681 482	39.20
Director	1	0.07	13 875	0.01
Nominee companies	39	2.78	11 459 585	6.54
Non residents	24	1.71	130 692	0.07
Insurance companies	11	0.78	10 907 677	6.23
Total	1404	100.00	175 188 343	100.00

TOP 10 SHAREHOLDERS

Holder No	Holder name	Shares held	% Holding
2 222	National Social Security Authority	66 196 080	37.79
6 178	Government of Zimbabwe	43 186 358	24.65
383 377	Old Mutual Life Assurance Company Zimbabwe Limited	10 207 383	5.83
6 438	ZBS Nominees (Private) Limited	9 107 795	5.20
670 139	ZB Financial Holdings Limited Group Staff Trust	5 273 438	3.01
448 123	Mashonaland Holdings Limited	4 679 739	2.67
629 368	Zimre Reinsurance (Private) Limited	1 893 798	1.08
811 068	ZB Financial Holdings Pension Fund	1 647 116	0.94
618 428	ZB Investments Nominees (Private) Limited	1 173 752	0.67
686 157	Seymore Nominees Trust	1 139 542	0.65
	Total Holding For Top 10 Shareholders	144 505 001	82.49
	Remaining Holding	30 683 342	17.51
	Total issued shares	175 188 343	100.00

Group Corporate Structure



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

ZB Bank Limited

ZB Bank is the flagship operation of ZBFHL 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 society then changed names to Intermarket Building Society and later to ZB Building Society after the acquisition of Intermarket Holdings Limited (IHL) by ZBFHL.

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 accounts
- Senior citizens
- Student accounts
- Cash connect
- Club account corporate accounts
- Savings accounts
- FX target accounts
- 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
- Individual mortgage plan
- Corporate mortgage plan
- Flexi mortgage account

ZB Asset Management Company Limited

ZB Asset Management Company Limited 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 (Private) Limited is the arm of ZBFHL 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.

After the acquisition of IHL by ZBFHL, 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 Limited

ZB Reinsurance Limited (ZBRe) is the re-insurance arm of ZBFHL, 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.

ZB Securities (Private) Limited

ZB Securities (Private) Limited is a wholly owned subsidiary of ZBFHL 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, 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

Credit Insurance Zimbabwe Limited

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

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

Products

- Credit, bonds, guarantees
- General insurance

Alexander Forbes Zimbabwe (Private) Limited

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
- 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

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 third report of the King Commission (King III 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 allowance. 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.

- **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 as necessary. The agenda and relevant supporting documents are distributed to the directors well before each board meeting. During the meetings, the appropriate executive directors give explanations and motivations for business items where decisions are required. Furthermore the directors have unrestricted access to all company information and records.

A record of meetings of the Board for the year ended 31 December 2010 is shown in the table below:

	Total meetings	Meetings attended	Meetings not attended
B P Nyajeka	8	8	0
E N Mushayakarara	8	4	4
M N Ndudzo*	3	3	0
J D Nhavira	8	6	2
F Kapanje	8	8	0
E Munemo	8	8	0
T P B Mpofu	8	6	2
E Hamandishe**	5	4	1

* Resigned from the Board on 25 June, 2010. ** Appointed to the Board on 25 July, 2010

- **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 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 III 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 2010 were as follows:

	Total meetings	Meetings attended	Meetings not attended
B P Nyajeka	10	5	5
E N Mushayakarara	10	10	0
E Hamandishe	10	5	5
E Munemo	10	10	0
R Mutandagayi	10	6	4

- **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 2010 were as follows:

	Total meetings	Meetings attended	Meetings not attended
E Munemo	7	7	0
E Hamandishe	7	4	3
TPB Mpofu	7	6	1

- **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 2010 were as follows:

	Total meetings	Meetings attended	Meetings not attended
J D Nhavira	3	3	0
E N Mushayakarara	3	2	1
TPB Mpofu	3	2	1

- **Board 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.

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

Meetings held by the Committee during the year ended 31 December 2010 were as follows:

	Total meetings	Meetings attended	Meetings not attended
J D Nhavira	3	3	0
TPB Mpofu	3	2	1
E N Mushayakarara	3	2	1

- **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 2010 were as follows:

	Total meetings	Meetings attended	Meetings not attended
E Munemo	1	1	0
B P Nyajeka	1	1	0
E N Mushayakarara	1	1	0

- **Group Executive Management Committee/Assets and Liabilities Management Committee**

The Group Executive Management Committee and the Assets and Liabilities Management Committee are internal management committees through which executive management decisions are formulated and implemented. Both Committees comprise senior executives in the Group.

- **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.

Directors record of attendance at board and principal committee meetings during the year ended 31 december 2010

NUMBER OF MEETINGS HELD FROM 1 JANUARY TO 31 DECEMBER 2010	ZBFH BOARD 8	ZBFH BEC 10	ZBFH BAC 7	ZBFH GLRC 3	ZBFH GRMC 3	ZBFH BR&HR 1	ZB BANK BOARD 6	ZB ASSET BOARD 5	ZBBS BOARD 4	IBCL BOARD 4	ZB LIFE BOARD 4	ZB RE BOARD 4
E N MUSHAYAKARARA	4	10	N/A	2	2	1	3	N/A	3	N/A	3	3
S K CHIGANZE	N/A	N/A	N/A	N/A	N/A	N/A	6	4	4	N/A	N/A	N/A
F MANJOKOTA	N/A	N/A	N/A	N/A	N/A	N/A	N/A	5	N/A	N/A	N/A	N/A
R MUTANDAGAYI	N/A	6	N/A	N/A	N/A	N/A	6	5	4	4	3	4
M N NDUDZO	3	2	2	N/A	N/A	N/A	3	N/A	N/A	N/A	N/A	N/A
E HAMANDISHE	3	5	4	N/A	N/A	N/A	3	N/A	N/A	N/A	N/A	N/A
J D NHAVIRA	6	N/A	1	3	3	N/A	4	N/A	N/A	N/A	N/A	N/A
B P NYAJEKA	8	5	N/A	N/A	N/A	1	6	N/A	N/A	N/A	N/A	N/A
F KAPANJE	8	N/A	N/A	N/A	N/A	N/A	6	N/A	N/A	N/A	N/A	N/A
Z R CHURU	N/A	N/A	N/A	N/A	N/A	N/A	N/A	5	N/A	N/A	N/A	N/A
P M NYAMADZAWOH	N/A	N/A	N/A	N/A	N/A	N/A	N/A	4	N/A	N/A	N/A	N/A
T P B MPOFU	6	N/A	6	2	2	N/A	4	N/A	4	N/A	N/A	N/A
S MAHLANGU	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	4	N/A	N/A	N/A
C MAKONI	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	4	N/A	N/A	N/A
M T SACHAK	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	4	N/A	N/A	N/A
C SANDURA	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	3	N/A	N/A	N/A
E MUNEMO	8	10	7	1	1	1	6	N/A	4	N/A	N/A	N/A
S A SIBANDA	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	3	N/A	N/A	N/A
C J MURANDU	N/A	N/A	N/A	N/A	N/A	N/A	N/A	5	N/A	N/A	N/A	4
D T MACHINGAIDZE	N/A	N/A	N/A	N/A	N/A	N/A	N/A	0	N/A	2	N/A	3
M MKUSHI	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	2	N/A	N/A
P M MATUPIRE	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	4	N/A	N/A
K BANGURE	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	4	N/A	N/A
A G CHINEMBIRI	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	4	N/A
E T Z CHIDZONGA	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	4	N/A
W J HASLAM	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	3	N/A
L MAWIRE	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	4	N/A
K P MATSIKIDZE	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	4	N/A

Directors record of attendance at board and principal committee meetings during the year ended 31 december 2010

NUMBER OF MEETINGS HELD FROM 1 JANUARY TO 31 DECEMBER 2010	ZBFH BOARD 8	ZBFH BEC 10	ZBFH BAC 7	ZBFH GLRC 3	ZBFH GRMC 3	ZBFH BR&HR 1	ZB BANK BOARD 6	ZB ASSET BOARD 5	ZBBS BOARD 4	IBCL BOARD 4	ZB LIFE BOARD 4	ZB RE BOARD 4
C MANDIZVIDZA	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	4	N/A
M MKUSHI	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	2	N/A
T MOYO	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	3	N/A
B SHUMBA	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	4
F B CHIRIMUUTA	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	3
C NYACHOWE	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	4

Key:

N/A	-	Not Applicable
ZBFH	-	ZB Financial Holdings Limited
ZB Bank	-	ZB Bank Limited
ZB Asset	-	ZB Asset Management Company Limited
ZBBS	-	ZB Building Society
ZB LIFE	-	ZB Life Assurance
ZB Re	-	ZB Reinsurance
BEC	-	Board Executive/Credit Committee
BAC	-	Board Audit Committee
GLRC	-	Group Loans Review Committee
GRMC	-	Group Risk Management Committee
BR &HR	-	Board Remuneration & HR Committee
IBCL	-	Intermarket Banking Corporation Limited

Bothwell Patrick Nyajeka
(Non-Executive Chairman)

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

Fanuel Kapanje
(Group Finance Director)

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

Elisha Nyikadzino Mushayakarara
(Group Chief Executive Officer)

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

Eria Hamandishe
(Non-Executive Director)

Master of Science in Economics Degree (Moscow State University, Russia)

Elliot Munemo
(Non-Executive Director)

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

John Davison Nhavira
(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)

Thamsanqa Mpofu
(Non-Executive Director)

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

"The Group posted an improved operating result for the year, increasing by 104% from US$3.4 million in 2009 to US$7.0 million before loan loss provisions and transfers to the Life Fund."

Bothwell Patrick Nyajeka
(Non-Executive Chairman)

Operating environment

The year 2010 exhibited a trend of (continued) stabilization in the Zimbabwean economy. Average inflation outturn for the year, at 3.1%, was well below the levels posted by other countries in the region.

The economy is estimated to have grown by 8.1% in 2010 compared to 5.7% in 2009. This was on the back of a buoyant performance by the mining and agricultural sectors, which are estimated to have grown by 47% and 34%, respectively.

Capacity recovery in the real sectors of the economy remained uneven, a situation compounded by the liquidity challenges that persisted during the year, which yielded a generally prohibitive cost of funds profile. In the absence of meaningful progress towards debt clearance, a huge external debt burden estimated at US$6.9 billion, (continued) to militate against the country's ability to re-engage multilateral institutions and donor agencies for the much needed external funding.

Economic outlook

Growth prospects for the Zimbabwean economy will be greatly enhanced by creating a conducive investment environment, with the mining and agricultural sectors playing a major role.

The country's Gross Domestic Product (GDP) for 2011 is projected to grow by 9.3%, whilst inflation is expected to average between 4.5% and 5%.

On the international scene, oil prices are expected to firm in reaction to the turmoil in the Middle East and North African regions which are major producers of the resource. Food prices are also expected to remain high, reflecting the impact of natural disasters on food production.

The group's performance

The Group posted an improved operating result for the year, increasing by 104% from US$3.4 million in 2009 to US$7.0 million before loan loss provisions and transfers to the Life Fund.

The operating results reflect an enterprise that has consolidated its operations, owing to effective business growth strategies.

An International Financial Reporting Standards (IFRS) loss of US$2.6 million was recorded for the year compared to a loss of US$1.2 million in the prior year. This is largely driven by the increase in the life assurance liabilities in which an expense overrun reserve of US$5.6 million was recognised in 2010. In exercising such prudence, aggressive measures have been put in place in order to stimulate business activity in the life assurance company and significant growth is expected in the next five years.

The financial outturn is discussed in more detail by the Group Chief Executive Officer in his report.

Dividend

In view of the overall loss posted for the year, the Board of directors has decided not to declare a dividend for the year under review.

Future prospects

The need for a technical and financial partner still remains a viable strategic option for the Group which will continue to be evaluated subject to the exercise of appropriate due diligence.

Meanwhile, the number of the Company's shares purchased through the share buy-back scheme totalled 6 230 033, which constitutes 4% of the issued share capital of the Company. The shares were purchased at an average price of US$0.08.

Litigation and other material disclosures

Judgement is still pending from the Supreme Court of Zimbabwe in the matter in which Transnational Holdings Limited is challenging the acquisition of a controlling interest in Intermarket Holdings Limited by ZB Group. Furthermore, the Group's listing as a Specially Designated National by the Office of Foreign Assets and Control (OFAC) of the United States of America's Treasury Department is yet to be revoked.

Acknowledgement

On behalf of the Board, I wish to thank management and staff for a sterling effort during the past year.

I also extend gratitude to the various authorities and all stakeholders for their support and hope for (continued) harmonious relations going forward.

B P Nyajeka
Chairman

26 May, 2011

Harare

> "Against the background of a slow economic turnaround, the Group achieved significant growth in the operating result."

E. N. Mushayakarara (Group Chief Executive)

Performance outturn

Against the background of a slow economic turnaround, the Group achieved significant growth in the operating result.

Increased pressure on the operating costs in the second half of the year, driven mainly by increased demand on salary related expenses, drastically reduced interest margins and a poor stock exchange performance saddled the operating results for the year under review.

On the other hand, the increased funding and the concomitant increase in the earning assets presented a positive effect to the performance outturn, leaving the Group to post an operating profit before loan loss provisions and movements in Life Fund liabilities of US$7.0 million (2009: US$3.4 million).

The positive performance is on the back of improved management of costs which, at 46%, increased at a lower rate than the increase in total income of 58%. The cost to income ratio receded from 69% to 64%.

The (continued) quest for improved efficiency saw a further retrenchment exercise being implemented during the year at a total cost of US$667 thousand.

An amount of US$7.3 million (2009: US$5.5 million) was transferred to the Life Fund. Included in this amount is an Expense Overrun Reserve (EOR) of US$5.6 million. The EOR is a phenomenon arising from the fact that current levels of life policy-related expenses exceed those provided for in normal circumstances, thus underlining the slow pace of resumption of individual life premiums, since the introduction of the multi-currency regime.

The Group grew its total assets by 59% from US$125 million as at 31 December, 2009 to US$198.6 million as at 31 December, 2010.

Review of operations

Banking:

An illiquid market characterized by limited interbank trading kept the cost of wholesale funding high whilst a high deposit turnover imposed a need to maintain substantial non-performing cash balances at any given time.

Further to the above, default risk on credit facilities assumed an upward profile as businesses struggled to cope with the exigencies of the multi-currency trading regime.

That notwithstanding, both ZB Bank and ZB Building Society managed to contain their loan loss provision at less than 1% of the total loan book.

Both ZB Bank and ZB Building Society reported a profitable outturn for the year under review.

ZB Bank Limited

ZB Bank posted a total consolidated comprehensive income of US$2.7 million for the year under review, having sustained significantly reduced margins and incessant pressure on operating costs in the second half of the year.

The Bank's contribution to the retrenchment cost amounted to US$242 thousand, whilst an amount of US$230 thousand collected as loan establishment fees has been deferred to future years in compliance with International Financial Reporting Standards (IFRS).

Total footings on the statement of financial position increased by 86% to close at US$148.7 million, whilst a 117% increase was recorded on deposits, on the back of an increasing customer base and a wider service offering.

The Bank successfully floated Agrobills which were aimed at supporting the winter and summer cropping programmes.

ZB Building Society

The Society achieved an increase of 196% on the mortgage book. This reflects a considerable return to its core business and is bankrolled by significant growth in company assisted loan schemes.

Total footings on the statement of financial position increased by 37%, to close at US$25 million, on the back of a 135% increase in the deposit book.

Total comprehensive income for the year amounted to US$1.4 million of which US$1.3 million was attributable to the owners of the parent company.

The total cost of retrenchment at the Society amounted to US$425 thousand.

Internet banking was launched at the Society in May, 2010, whilst general product offering was enhanced in partnership with selected suppliers of building materials through the "build now pay later" facility, which was aimed at stimulating construction activity.

Insurance:

ZB Life Assurance Limited

The continuing trend of low disposable incomes hampered premium growth in 2010, which even after a 90% increase for the company, remained at a low base.
Increased benefits payout as well as disproportionate surrenders and withdrawals all had negative effect on the cost base for the business unit.

Gross premium income amounted to US$4.9 million, whilst policy holder benefits closed at US$1.9 million, representing an increase of 233% from prior year.

The Expense Overrun Reserve (EOR) referred to earlier provides a long-term cushion for the Life Fund in order to guarantee the solvency of the Fund whilst the company mobilises more business.

Total footings on the balance sheet increased to US$23.5 million from US$21.5 million in the prior year and include Life Fund assets amounting to US$19.1 million (2009: US$11.8 million).

ZB Re-insurance Company

Risk retention was emphasized in profitable classes of insurance during the year under review. Consequently, the net premium for the year amounted to 69% (2009: 80%) of the gross premium income, which amounted to US$7.4 million (2009: US$7.5 million).

An increased claims pattern was generally experienced in traditional classes of risk and, together with increased business mobilization commissions, saw the underwriting result receding by 39% from the US$1.5 million posted in 2009 to an amount of US$901 thousand in 2010.

The total comprehensive income amounted to US$649.6 thousand (2009: US$1.8 million), whilst the footings on the statement of financial position amounted to US$5.4 million (2009: US$4.5 million).

Fund management and stock-broking operations:

The pervasive liquidity shortages and a lethargic performance by the Zimbabwean Stock Exchange (continued) to have adverse effects on the asset management and stock-broking fraternity in general.

Both ZB Asset Management Company and ZB Securities were recapitalised by the injection of US$260.0 thousand and US$181.4 thousand, respectively, during the year under review. The strategic imperative for these operations was to maintain capital and, to the extent possible, build business relations for the future.

In the context of the above circumstances, ZB Asset Management posted a total comprehensive loss of US$163.3 thousand (2009: profit of US$80.2 thousand) on the back of a total proprietary balance sheet of US$702.1 thousand and funds under management amounting to US$8.2 million.

ZB Securities, on the other hand, posted a comprehensive loss amounting to US$198.5 thousand from breakeven position in 2009 whilst closing on a total asset base of US$598.5 thousand (2009: US$353 thousand).

Other operations

Other operations within the Group generally exhibited increased stability as they consolidated their strategies. The Group's associate investments, trading in the short-term insurance sub-sector, have generally commanded respectable market share.

Operations outlook

In an effort to improve operational efficiencies in the banking operations, the Group is implementing an amalgamation of common activities between ZB Bank Limited and ZB Building Society. This initiative should see both institutions achieving cost advantage in the future.

The amalgamation of operations was approved by the Reserve Bank of Zimbabwe on the 2nd of February, 2011.

Internal processes and systems

In pursuit of excellence in service delivery, the Group commissioned a programme of action which seeks to address the following:

1. Business Process Improvement:

   A complete revamp of processes and operating procedures in all operations within the Group, which will enhance controls, accountability and service delivery to customers, is expected to materialize from this project.

2. Basel 11 Implementation:

   This will define the roadmap to full compliance with the Basel accord and monitor the transition process from the current state.

3. Technology enhancement:

   This will see the upgrade/revamp of current banking systems to more robust versions in order to improve on service and product offering. This project is scheduled for completion by the third quarter of 2011, with all the required software and critical hardware having been purchased already.

The Group continues to review its security and insurance arrangements in order to reduce the chances or impact of loss events, in an environment experiencing heightened risk of frauds and robberies.

Human capital & training

Staff turnover remained contained whilst the industrial relations climate was generally cordial during the year under review.

Following the retrenchments carried out during the year, the Group's staff compliment closed at 1 315 comprising 992 permanent staff and 323 contract staff.

In the (continued) investment in staff training, a total of 1 434 attendances were recorded for 109 courses during the year.

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 wise counsel.

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

26 May, 2011

Harare

World Economy

According to the International Monetary Fund, global economic output is estimated to have risen from -0.5% in 2009 to 4.7% in 2010, underpinned by a recovery in world trade from -10.9% in 2009 to 12.4% in 2010, and rising demand in emerging and developing economies. Notable rises in output, in 2010, were recorded for India (10.4%), China (10.3%), Brazil (7.5%) and Mexico (5.5%), whilst a decline was registered for Spain (-0.1%). In the wake of the Euro-sovereign debt crisis, a number of countries in the European Union, amongst them, the United Kingdom, Portugal, Ireland, Spain and Greece are implementing moderate to severe austerity measures, aimed at reducing high domestic debt levels.

Economic growth in Sub-Saharan Africa is also estimated to have risen from 2.8% in 2009 to 5.0% in 2010, as the regional economies rebound faster than developed countries from the effects of the 2008-9 global economic downturn.

In 2011, global economic output is expected to rise by 4.4% and by a further 4.5% in 2012. Improvement in global financial markets, resurgent economic activity in many emerging and developing economies and growing confidence in advanced economies combine to give rise to better economic prospects for 2011–12. The downside risks could arise from the volatility caused by possible disruptions to global oil supply and inflationary pressures in emerging and developing economies, owing to rising food and energy prices.

Domestic Economy

The domestic economy recorded robust growth from 5.7% in 2009 to 8.1% in 2010, buoyed by the mining and agricultural sectors, which are estimated to have grown by 47% and 33.9%, respectively, in 2010. The implementation of credible economic policies, anchored on the (continued) use of multiple currencies, fiscal prudence through cash budgeting, and the liberalised business environment, all served to enhance economic stability and growth in 2010.

Capacity utilization has progressed steadily, though unevenly, with many sectors experiencing recovery from an average of 33% in 2009 to about 45% in 2010. Notably, a few manufacturing sub-sectors, such as beverages and drinks have witnessed full capacity recovery. However, many sectors of the economy still face challenges emanating from stiff competition from imported products, in an environment characterised by acute liquidity shortages, translating to re-capitalization and working capital difficulties.

Furthermore, following a decade of sustained contraction in economic activity, the economy remains beset by multi-layered challenges, including, inter-alia, infrastructure decay, a large informal sector, recurring energy and power outages, high and untenable levels of unemployment, low disposable incomes, an external debt overhang and external payments arrears and negligible foreign capital inflows.

Nonetheless, the economy is expected to remain on a strong growth trajectory and is forecast to grow by 9.3% in 2011, buoyed by mining and agriculture which are expected to grow by 43.4% and 24.0%, respectively. The downside risks to growth arise broadly from a fragile political framework and macro-economic policy inconsistencies.

REAL SECTORS

Agriculture

Maize production improved from 1.2 million tonnes in 2009 to 1.3 million tonnes in 2010. This was largely attributed to a higher hectarage of 1.8 million compared to 1.5 million in 2009, as well as Government support, financing through contract farming and the deregulation of the marketing of agricultural produce to enable farmers to sell their produce freely on the open market, thereby attracting a myriad of small scale farmers to increase cash crop production. However, the average maize yields fell from 0.8 tonnes per hectare in 2009 to 0.7 tonnes per hectare in 2010, owing to late rains and drought in the Southern Provinces.

Though the 2010/11 agricultural season started on a favourable note, with normal to above-normal rains and better availability of agricultural inputs such as seed maize, fertilizers, fuel, and chemicals in the past five years, the late-planted crops in the southern parts of the country and extreme north were adversely affected by the prolonged mid-season dry spell, which was experienced in February 2011 and early March 2011. Despite the significant effects of the dry spell, the 2011 staple cereal harvests are likely to be similar to that of the last two seasons, which averaged about 1.5 million tonnes against a national cereal requirement of 1.8 million tonnes, with the deficit continuing to put pressure on the country's current account.

Tobacco output, which increased by 16% to 56.5 million kilograms in 2009, rose sharply by 119% to 123.5 million kilograms and was sold at average price of US$2.88, in 2010. In the 2009/10 season, about 65 000 hectares were put under tobacco, with 30 000 hectares under contract farming, 20 000 hectares on self financing and 15 000 hectares by communal farmers. Given a 50% increase in 2010/11 tobacco hectarage, the 2011 output is estimated to be about 175 million kilograms.

Cotton production is estimated at 269 828 tonnes in 2010 from 207 000 tonnes in 2009. In 2011, cotton production is projected to further increase to 300 000 tonnes against the backdrop of anticipated improvement in international cotton prices.

The agricultural sector is estimated to have registered a positive growth of 33.9% in 2010 and is projected to register a further 24% growth in 2011.

Mining

Mining output is estimated to have grown by 47% in 2010, underpinned by improvements in the production of all minerals. Notably, chrome increased by 148%; gold, 61%; nickel, 26%; coal, 25%; and platinum, 24%, largely driven by buoyant international mineral prices. Mining output also benefited from investment in expansion programmes and recapitalisation of mining operations.

On current trends, mining is forecast to account for about 14-15% of GDP by 2015, though this threshold could rise further, should capitalisation and new investment progress with speed. The critical factor, with respect to the latter, will be the manner in which the Government progresses with the implementation of the indigenization and economic empowerment programme.

Overall in 2011, mining output is projected to increase by a further 44%, mainly driven by platinum and gold output. Coal output is also projected to rise markedly as the Ministry of Mines and Mining Development has issued over 50 Special Grants, with four coal mines having commenced operations.

However, erratic power supply and the unavailability of affordable credit continue to weigh down production.

Manufacturing

The manufacturing sector is estimated to have grown by 2.7% in 2010 and is projected to register a higher growth of 5.7% in 2011. Manufacturing sector capacity utilisation improved to 43.7% in the first half of 2010 compared to 32.3% over the same period in 2009. Improvements in the agriculture sector are also expected to stimulate manufacturing activity. Industrial capacity utilisation remains low, albeit improving, owing to the lack of affordable long term credit lines, power outages, uncertainty in the prevailing political environment and the failure to attract foreign direct investment. Foreign Direct Investment (FDI) inflows to Zimbabwe remain subdued due largely to low investor confidence levels, exacerbated by the perceived high political risk.

Going forward, full recovery in the manufacturing sector will be achieved if challenges related to shortages of working capital, obsolete equipment, inadequate power supply, commensurate wage levels, competition from imports, and low domestic demand are addressed.

Tourism

According to the advance release of the UNWTO World Tourism Barometer, international tourism recovered strongly in 2010. International tourist arrivals were up by almost 7% to 935 million, following the 4% decline in 2009, the year hardest hit by the recent global economic crisis. In line with the increase in global tourist arrivals, Zimbabwe recorded an 11% increase in tourist arrivals in 2010 from 2 017 264 in 2009 to 2 239 165 in 2010.

Of the aggregate arrivals received by Zimbabwe in 2010, Africa contributed 87%, followed by Europe (6%), the Americas (3%) and Asia (2%). Average hotel room occupancy levels rose from 46% to 52% in 2010, while average bed occupancy levels also rose from 35% to 36%.

The year 2011 promises to bring positive results to Zimbabwe's tourism industry in line with the anticipated growth in international tourist arrivals by between 4% and 5%.

Information Communication Technology

The Information Communication Technologies sector realised strong growth, and, therefore, contributed significantly (15.2%), to GDP in 2009, second only to agriculture (17.4%). The recent completion of the installation of the fibre optic cable by TelOne is set to open up opportunities for ICT players. Tele-density levels continue to rise, with the country's mobile phone service providers embarking on aggressive drives to increase network capacity, subscriber base and base stations. According to the Postal and Telecommunications Regulatory Authority of Zimbabwe, the number of Zimbabweans with access to a telephone increased to 49% of the population in December 2010.

ICT infrastructure development is the hub for the development of efficient and effective Community Information Centres, Rural Telecommunication, E-Government, E-Learning, National Payment Systems and Home Affairs Command and Control System.

MONETARY AND FISCAL DEVELOPMENTS

Money Supply Growth

Official monetary statistics from the Central Bank show broad money supply increasing from US$1.3 billion in December 2009, to US$2.3 billion by December 2010 – an annual growth of 76.9%.

Notably, bank deposits remain short term with transitory deposits accounting for over 90% of total deposits. Both savings and demand deposits are essentially short term in nature and cannot underpin longer term funding necessary for industry-wide re-capitalization and renewal of working capital requirements.

Broad money supply (M3) growth, in a dollarised environment, increases, in the main, in response to external capital flows i.e. external lines of credit, Portfolio and Foreign Direct Investment flows and growth in exports.

Significant informal sector activity implies that a large amount of cash circulates outside the formal banking system, thereby, understating the level of money supply in the economy, and constraining financial sector intermediation.
Inflation

The economy was characterized by price stability with the annual inflation rate reaching 3.3% by December 2010. The annual inflation rate averaged 3.1% for 2010.

Price stability underpinned business recovery and expansion in economic activity in 2010, with the economy forecast to have recorded a growth of 8.1%. Following the deflation of the first half of 2009, prices subsequently realigned and stabilised, necessitating capacity utilization recovery. Capacity recovery however remains uneven and low.

In the outlook, headline inflation is forecast to rise to reflect both the strengthening of the rand against the US dollar as well as rising international oil prices. Other factors likely to impart upward price pressures include; food prices, wages and domestic tariff adjustments.

International oil prices are forecast to remain high in the near term as the crisis in the Middle East and North Africa shows no sign of abating, and this is likely to impart further upward price pressures in the short to medium term.

Money Market and Interest Rates

During the period under review, the London Inter-Bank Offered Rate (LIBOR) benchmark 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 2010. In fact, the 1-year LIBOR interest rate declined by 0.1140 percentage points from 0.8979% in January 2010 to 0.7839 % in December 2010, while the 90-days LIBOR interest rate rose by 0.0526 percentage points from 0.2501% to 0.3027% over the same period. However, the Reserve Bank of South Africa reduced both the Repurchase and Prime interest rates from 6.0% to 5.50% and from 9.50% to 9.0%, respectively, from January to December 2010, as it attempted to balance between credit expansion and inflation control.

Despite notable inactivity on the money market during the first half year of 2010, activity picked up in the last half of 2010, with some financial institutions issuing paper on the market to raise significant funding for agriculture by way of agro- bills. Proceeds were channelled towards the 2010 winter and 2010/2011 summer cropping programmes, livestock production, poultry and piggery.

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

Equities market

Following the gazetting of the Indigenisation and Economic Empowerment Bill in February 2010, performance on the Zimbabwe Stock Exchange (ZSE) remained sluggish, failing to reach the targeted US$5 billion total market capitalisation by year end. Statistics from the ZSE show that prices dropped significantly in 2010 compared to the same period in 2009. Value of trades on the local bourse dropped 5.4% in 2010 to US$391.5 million after 6.7 billion shares exchanged hands in the 52 weeks. On the contrary in 2009, the ZSE generated US$413 million from just 4.5 billion shares.

Total market capitalisation stood at US$3.9 millon as at 31 December 2010, with the industrial index and mining index closing the year at 151.27 and 200.40, respectively. During the year 2010, the market experienced a dip in the first quarter of the year following a series of events including the introduction of the indigenisation regulations and differences in the inclusive Government over implementation of the "Global Political Agreement".

Going forward, activity on the ZSE is likely to remain depressed until there is further clarity by Government regarding the roadmap to free and credible national elections as well as on the implementation of the Indigenisation and Empowerment initiative.

The establishment of a Central Securities Depository (CSD) on the ZSE is expected to enhance the conduct of trade, in line with international standards.

Financial Sector

The banking sector exhibited steady and visible recovery during the period under review, given that at the inception of multicurrency in early 2009 financial institutions' operational environment was characterized by generally very low business confidence, coupled with severe liquidity challenges.

The country's banking sector consists of 28 banking institutions – 18 commercial banks, (with 9 listed on the ZSE); 4 Merchant Banks; 4 Building Societies; a Micro Finance bank and a Post Office Savings Bank.

Following multicurrency introduction, most banks undertook branch and staff rationalization aimed at cost cutting and improved efficiency. Notwithstanding the current liquidity challenges, these initiatives by banks appear to have paid off judging from the results published to date.

Profitability levels have improved, though non interest income continues to dominate banking sector revenues, signifying the steady but modest economic recovery. Banking sector vulnerabilities continue to recede as economic recovery fundamentals strengthen.

Deposit growth improved measurably compared to 2009, with most banking institutions recording significant deposits growth as economic activity steadily improved. The growth in deposits has been matched by corresponding growth in credit provision. Total loans and advances increased from US$645 million in 2009 to US$1.5 billion in 2010. The major beneficiaries were agriculture (22.3%), manufacturing (20.3%), distribution (20%) and households (7.6%).

The absence of a lender of last resort function and inter-bank market activities implies that banking sector vulnerabilities are still prevalent and banks must continue to put in place appropriate risk mitigation measures.

Going forward, the financial services sector could continue to consolidate on the gains achieved from the adoption of the multi-currency regime. However, residual challenges such as liquidity constraints and, therefore, stiff competition for savings, slow capacity utilisation recovery, uneven sectoral growth trends and broadly fragile economic conditions will continue to adversely affect the industry's full recovery, although prospects for a positive upturn remain in sight.

Public Finance

Cumulative total revenue amounted to US$2.4 billion in 2010, with tax revenue accounting for 90% of total revenue. Revenue collection improved considerably in 2010, with total monthly revenues increasing from US$121 million in January 2010 to US$210 million in June. During the second half of 2010, total monthly revenues well exceeded US$220 million.

Value Added Tax (VAT) contributed US$829.9 million (34.6%), customs duty revenue amounted to US$339.9 million (14.2%); Individuals US$427.7 million (17.8%), while companies contributed US$256.4 million (10.7%).

In comparison to 2009, the contribution of individuals and companies to total revenue were higher in 2010, signifying that economic activity is broadly improving, though at a slow pace. VAT continues to dominate fiscal revenues.

Indirect taxes, i.e. VAT, Customs Duty, Excise Duty and other indirect taxes accounted for 74% of total revenue in 2009 and 55.7% in 2010, compared to an average of 44% over the period 1996 to 2004. Over this period, direct taxes i.e. pay as you earn, corporate tax and other direct taxes, therefore, accounted for a greater weight i.e. 56% of the tax revenue. The trend clearly shows improving economic activity, though economy wide vulnerabilities persist.

Total expenditures amounted to US$ 2.2 billion for 2010. Fiscal Expenditures in 2010 were dominated by recurrent expenditures, which accounted for 73.8% of total expenditure and net lending. Wages and salaries accounted for 35% of total expenditures, while capital expenditure, necessary for long term growth, accounted for 19.2% of total expenditure and net lending.

EXTERNAL SECTOR

Export Shipments

In 2010, total export shipments amounted to US$2,221.6 million, compared to US$1,366.2 million declared during the same period in 2009, representing an increase of 62.6%. The positive export performance recorded during the year 2010 was largely attributable to a significant increase in mineral export shipments.

On a sectoral basis, mineral export shipments accounted for 64.5% followed by tobacco exports (17.2%), agriculture (8.4%), manufacturing (7.6%), horticulture (0.7%) and hunting safari (0.4%). Mineral export shipments, including gold and diamonds, amounted to US$1,719 million in 2010 compared to US$708 million worth of exports in 2009. This represents a significant growth of 143%, owing to increased export shipments following the liberalisation of gold trading and the firming up of international metal prices. Total agricultural export shipments amounted to US$582.6 million compared to US$467.7 million in 2009, representing an increase of 24.6%.

Import Payments

In 2010, Authorized Dealers i.e. commercial and merchant banks processed foreign exchange payments amounting to approximately US$2.5 billion. This represented a 69% increase compared to the figure of about US$1.5 billion recorded over the same period in 2009. The significant increase in foreign payments in the year 2010 can be attributed to current account convertibility introduced in the year 2009. Whilst 2010 experienced increases in foreign payments, the monthly trends were the same as those of 2009. There was modest activity in the first quarter of the year, increased activity from the second quarter to the last quarter of the year.

Generally, all sectors of the economy experienced increases in the level of foreign payments in the year 2010, with the exception of agriculture, which recorded a decline of 4% in 2010. The services and mining sectors remain the dominant sectors, accounting for more than 50% of the foreign payments. The mining sector increased production to capitalize on the firming metal prices. Import demand in the services sector was being driven by expansion in the telecommunications sector.

In the outlook, the country's overall balance of payments position is expected to generally improve, thereby reducing the trade deficit from US$463 million in 2010 to US$388 million in 2011. The share of imports of goods and services as a percentage of GDP is expected to decline to 43.9% of GDP in 2011 from 52.9% of GDP in 2010.

External Debt

Government remains in debt distress with a total external debt of US$6.9 billion as at December 2010, representing 103% of GDP, a level which is above the international debt sustainability benchmark of 60%. The bulk of the country's external debt is owed to multilateral creditors, which account for 36% of the country's total debt. Bilateral and commercial creditors are owed 33% and 31%, respectively. Central Government remains the largest debtor at 57% while parastatals and the private sector owe 35% and 8%, respectively.

Meanwhile, Zimbabwe is in the process of adopting the Zimbabwe Accelerated Debt and Development Strategy, a hybrid method combining traditional debt servicing methods and strategic use of mining resources, as a way of clearing the debt. This came after a proposal for Zimbabwe to apply for the IMF's Highly Indebted Poor Countries (HIPC) status reached a stalemate within Government. The HIPC status, which was adopted by neighbouring Zambia, provides for debt relief from the IMF for countries that accept adoption of stringent macro-economic stability measures.

In the short to medium term, no financial support is expected from the World Bank and the International Monetary Fund. The World Bank and the International Monetary Fund suspended balance of payments support for Zimbabwe over a decade ago after the country started defaulting on its arrears. Meanwhile, the World Bank is finalising the drafting of an African regional strategy, which lays out its vision for supporting the development process in the region for the next 10 years, taking into account the diverse political economies.

Exchange Rate Management

Due to the abolishment of the use of the Zimbabwean dollar in February 2009, the central bank has a marginal role in monetary policy and exchange rate management. The Zimbabwe Government has unanimously resolved to continue with the multi-currency regime up to 2012, after which the Government will review accordingly.

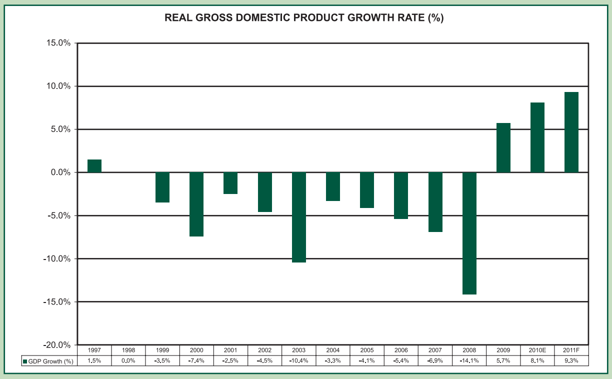
Meanwhile, the government is expected to reach a conclusion on whether or not to join the Rand Monetary Union (RMU) or to continue with the multi-currency system. If the government decides to join the RMU, the South African rand would become Zimbabwe's official currency. The issue of Zimbabwe joining the RMU has attracted a lot of attention among economists and policymakers in the country and has been received with mixed feelings. The Rand monetary union is currently made up of Namibia, Swaziland and Lesotho who all use the South African rand alongside their own currencies.

Economic Outlook

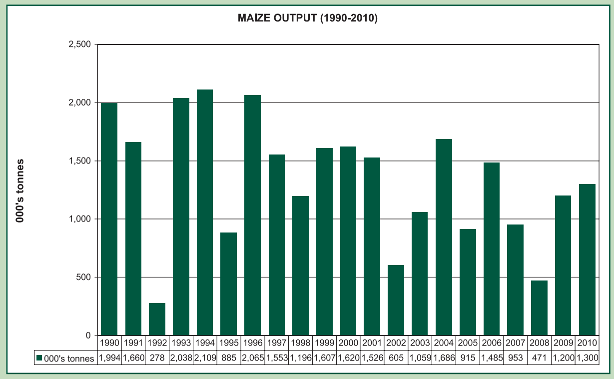
Due to the (continued) debate on the prospects of the Indigenisation and Empowerment Act, and the need to resolve outstanding political differences in the inclusive government, the outlook remains uncertain until the Government clarifies the way forward. An appropriately implemented indigenization programme and conditions for doing business framework that is based on consensus among all stakeholders has potential to provide further impetus for economic growth.

Invariably, a haphazardly implemented indigenization programme will put in motion a process that will ultimately slow the wheels of economic activity, undermine economic growth and will not likely achieve broad based empowerment and transformation of the economy. In the long term, this will be unsustainable.

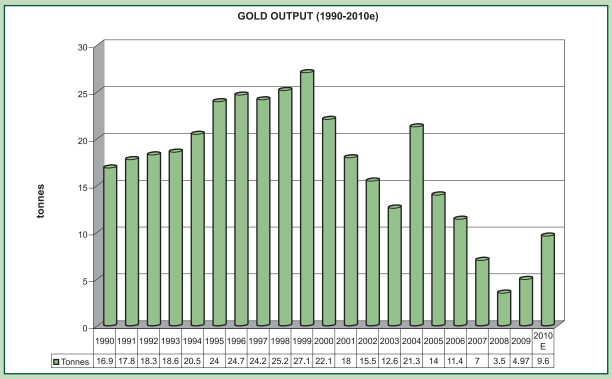
High external debt also remains an obstacle for economic growth, as the country is unable to access critical lines of credit, even when the global economy is characterised by excess capital, at present. Balance of payments support from the IMF is held in abeyance, pending clearance of debts owed to multilateral creditors. The economy requires a credible macro-economic plan, based on predictable and consistent mutually reinforcing economic policies for the economy to achieve sustained double digit growth, necessary for employment creation and poverty alleviation. Political stability, as usual, remains a pre-requisite for sustainable economic recovery and growth.



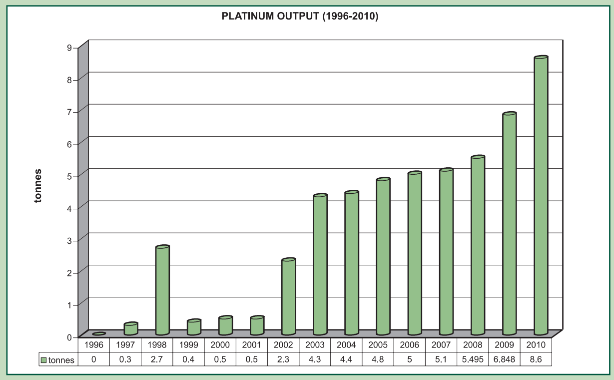
REAL GROSS DOMESTIC PRODUCT GROWTH RATE (%)
1997 1998 1999 2000 2001 2002 2003 2004 2005 2006 2007 2008 2009 2010E 2011F
GDP Growth (%) 1.5% 0.0% -3.5% -7.4% -2.5% -4.5% -10.4% -3.3% -4.1% -5.4% -6.9% -14.1% 5.7% 8.1% 9.3%



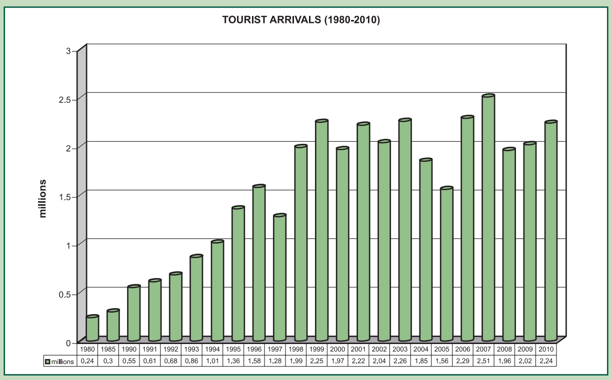
MAIZE OUTPUT (1990-2010)
000's tonnes
1990 1991 1992 1993 1994 1995 1996 1997 1998 1999 2000 2001 2002 2003 2004 2005 2006 2007 2008 2009 2010
000's tonnes 1,994 1,660 278 2,038 2,109 885 2,065 1,553 1,196 1,607 1,620 1,526 605 1,059 1,686 915 1,485 953 471 1,200 1,300



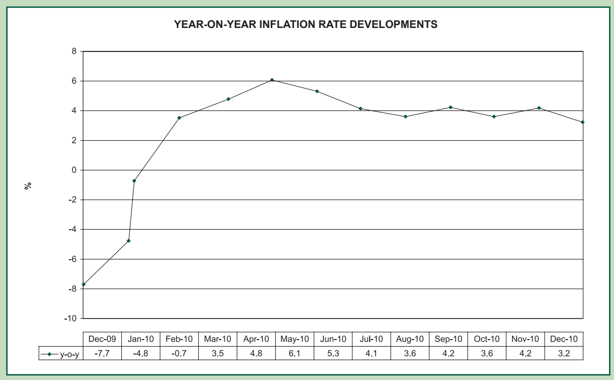
GOLD OUTPUT (1990-2010e)
tonnes
1990 1991 1992 1993 1994 1995 1996 1997 1998 1999 2000 2001 2002 2003 2004 2005 2006 2007 2008 2009 2010 E
Tonnes 16.9 17.8 18.3 18.6 20.5 24 24.7 24.2 25.2 27.1 22.1 18 15.5 12.6 21.3 14 11.4 7 3.5 4.97 9.6



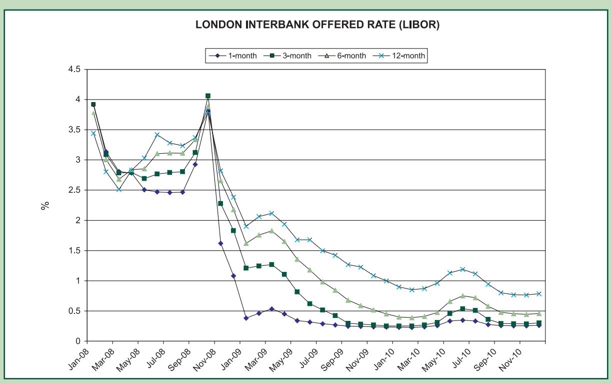
PLATINUM OUTPUT (1996-2010)
tonnes
1996 1997 1998 1999 2000 2001 2002 2003 2004 2005 2006 2007 2008 2009 2010
tonnes 0 0.3 2.7 0.4 0.5 0.5 2.3 4.3 4.4 4.8 5 5.1 5.495 6.848 8.6



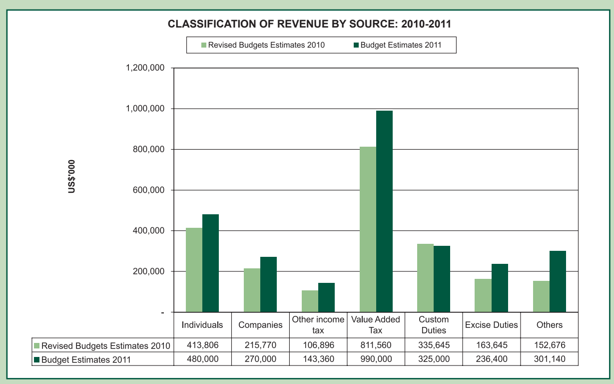
TOURIST ARRIVALS (1980-2010)
millions
1980 1985 1990 1991 1992 1993 1994 1995 1996 1997 1998 1999 2000 2001 2002 2003 2004 2005 2006 2007 2008 2009 2010
millions 0.24 0.3 0.55 0.61 0.68 0.86 1.01 1.36 1.58 1.28 1.99 2.25 1.97 2.22 2.04 2.26 1.85 1.56 2.29 2.51 1.96 2.02 2.24



YEAR-ON-YEAR INFLATION RATE DEVELOPMENTS
%
Dec-09 Jan-10 Feb-10 Mar-10 Apr-10 May-10 Jun-10 Jul-10 Aug-10 Sep-10 Oct-10 Nov-10 Dec-10
y-o-y -7.7 -4.8 -0.7 3.5 4.8 6.1 5.3 4.1 3.6 4.2 3.6 4.2 3.2



LONDON INTERBANK OFFERED RATE (LIBOR)
1-month
3-month
6-month
12-month
%
Jan-08 Mar-08 May-08 Jul-08 Sep-08 Nov-08 Jan-09 Mar-09 May-09 Jul-09 Sep-09 Nov-09 Jan-10 Mar-10 May-10 Jul-10 Sep-10 Nov-10

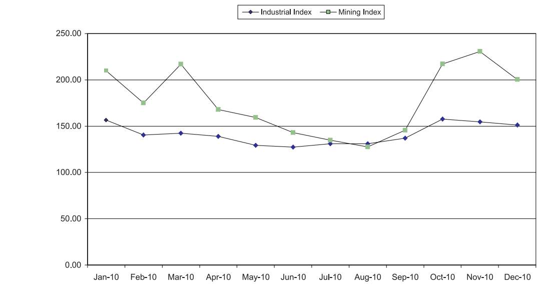


CLASSIFICATION OF REVENUE BY SOURCE: 2010-2011
Revised Budgets Estimates 2010
Budget Estimates 2011
US$'000
Individuals Companies Other income tax Value Added Tax Custom Duties Excise Duties Others
Revised Budgets Estimates 2010 413,806 215,770 106,896 811,560 335,645 163,645 152,676
Budget Estimates 2011 480,000 270,000 143,360 990,000 325,000 236,400 301,140

Economic Overview

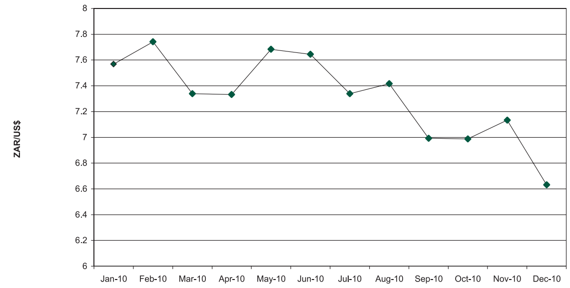
(continued).

ZIMBABWE STOCK EXCHANGE- INDUSTRIAL & MINING INDEX



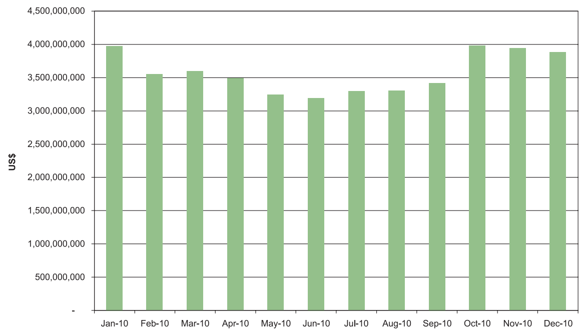
	Jan-10	Feb-10	Mar-10	Apr-10	May-10	Jun-10	Jul-10	Aug-10	Sep-10	Oct-10	Nov-10	Dec-10
Industrial Index	156.52	140.37	142.37	139.01	129.40	127.46	130.92	130.92	137.04	157.71	154.60	151.27
Mining Index	209.81	175.08	216.85	167.90	159.28	143.08	134.87	127.64	145.65	217.07	230.61	200.40

EXCHANGE RATE DEVELOPMENT - SOUTH AFRICAN RAND



	29-Jan	26-Feb	31-Mar	30-Apr	31-May	30-Jun	30-Jul	31-Aug	30-Sep	29-Oct	30-Nov	31-Dec
ZAR/ US$	7.56867	7.74127	7.33897	7.33218	7.68278	7.64469	7.33927	7.41672	6.99282	6.98759	7.13294	6.63261

ZSE TOTAL MARKET CAPITALISATION 2010



The Directors have pleasure in presenting their report to shareholders for the year ended 31 December 2010.

Share capital

The authorised and issued share capital of the Company remained unchanged at 1 000 000 000 shares and 175 188 342 shares respectively at a nominal value of US$0.01 each.

As reported in the previous report, 15 601 006 shares allotted to former Intermarket Holdings Limited (IHL) minority shareholders in settlement of the acquisition of a stake in that company in 2007 remain unlisted at the Zimbabwe Stock Exchange pending the finalisation of the litigation in which some former non-controlling shareholders at IHL are challenging the acquisition by ZB Financial Holdings Limited (ZBFH) of the controlling shareholding in that company. The matter is currently before the Supreme Court of Zimbabwe.

Financial results

The Group posted an overall loss for the year amounting to US$2 602 080 (2009: US$1 246 340), with a loss of US$1 055 669 (2009: US$2 462 431) being attributable to the equity holders of the parent Company. The net increase in equity arising from other comprehensive income amounted to US$1 284 158 (2009: US$7 983 826).

Total assets amounted to US$198 558 221 (2009: US$ 125 049 759).

Restatement of comparative figures

As detailed in note 2.1, adjustments were made on the statements previously prepared in accordance with the Guidance on Changes in Functional Currency of 2009.

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.

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 misstatements and losses. The systems are implemented and monitored by suitably trained personnel with an appropriate segregation of authority and duties. Nothing has come to the attention of the Directors to indicate the occurrence of any material breakdown in the functioning of these controls, procedures and systems during the year under review.

The majority of the membership of the Group Audit Committee consists 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 financial reporting matters.

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

The financial statements which appear on pages 36 to 114 were approved by the Board on 31 March 2011.

The Group's independent external auditors, KPMG Chartered Accountants (Zimbabwe), 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 to the year ending 31 December 2011. 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.

Special resolutions

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

a) To re-denominate the issued share capital from Zimbabwean dollars to United States dollars. In order to operationalise this resolution, an amount of US$28 735 506 was transferred from a capital reserve, *"Functional Currency Conversion Reserve"*, to share capital and share premium.

b) To extend the authority for the share buy-back scheme to the date of the next Annual General Meeting. The authority limits the number of shares subject to the scheme to 10% of the issued share capital of the Company.

Directors

In terms of Article 68 of the Articles of Association of the Company, Messrs B. P. Nyajeka and J. D. Nhavira retire by rotation. Being eligible, Mr Nyajeka offers himself for re-election. Having served the Board in many capacities for more than ten years, Mr Nhavira has not offered himself for re-election. The Board and the Group extends a warm appreciation for his contributions during his term and wishes him well in his personal endeavours.

Mr E. Hamandishe was appointed to the Board of Directors after the last Annual General Meeting and being eligible, offers himself for election.

The following directors held shares, directly or indirectly, in the Company as at 31 December 2010:

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

Auditors

Messrs KPMG Chartered Accountants (Zimbabwe) were selected as the new auditors of the Group after the last annual General Meeting. Shareholders will be required to ratify their appointment and fix their remuneration for the year ended 31 December 2010 and to reappoint them as Auditors for the ensuing year.

By order of the Board

....
B. P. Nyajeka
(Chairman)

....
E. N. Mushayakarara
(Group Chief Executive)

....
C. T. Kathemba
(Group Secretary)

HARARE
26 May, 2011

BOARD OF DIRECTORS

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

independent actuarial consultants

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Fax: +27 21 4224378
www.iac.co.za

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Sandown
Sand ton
Tel: +27 11 333 9685
Fax: +27 11 333 9663
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INSURANCE ACT 1987 (Section 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 2010

exceeds the amount of the liabilities in respect of those classes of insurance business by US$ 3 748 841.

C. Greeff

CJB Greeff FASSA FFA
Actuary of the Insurer
Independent Actuarial Consultants (Pty) Ltd

28 February 2011

independent
actuarial consultants

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6th Floor
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CERTIFICATE OF THE CONSULTING ACTUARY

To the Directors,

ZB LIFE ASSURANCE LIMITED

Actuarial liabilities at 31 December 2010

I certify that the actuarial liabilities of

ZB Life Assurance Limited

At 31 December 2010 were as follows

Type of Business	US$
Life Assurance Business	5 438 260
Retirement Annuity Pensions: Group Pensions:	
Immediate and Deferred Annuities	13 616 983
Total	19 055 243

C. Greeff

CJB Greeff FASSA FFA
Actuary of the Insurer
Independent Actuarial Consultants (Pty) Ltd

28 February 2011

Independent Actuarial Consultants (Pty) Ltd (A Key mix Investments Group Company) is an Authorised Financial Services Provider
Directors:M. Bikwani (Chairman),A.Gani (Managing Director),Prof C.J.B Greeff,V.Faria ,K.Kweyama,C.F. de Jager
Reg No. 2002/00342/07 FSP No. 6832

KPMG
Mutual Gardens
100 The Chase (West) , Emerald Hill
P O Box 6, Harare
Zimbabwe

Telephone + 263 (4) 303700
+ 263 (4) 302600
Fax + 263 (4) 303699

Report of the independent auditors to the members of ZB Financial Holdings Limited

We have audited the accompanying financial statements of ZB Financial Holdings Limited (the Company) and its subsidiaries (the Group), which comprise the consolidated and company statements of financial position as at 31 December 2010, the consolidated and company statements of comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory notes to the financial statements as set out on pages 36 to 114.

Directors' responsibility for the financial statements

The directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and in the manner required by 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;. and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' 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 about whether the consolidated financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the financial statements present a true and fair view of the financial position of the Group and Company as at 31 December 2010, and of the Groups' and Company's financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and in a manner required by 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.

KPMG

KPMG Chartered Accountants (Zimbabwe)
Harare

26 May, 2011

Consolidated Statements of Financial Position
As at 31 December 2010

	Notes	31 Dec 2010 US$	Restated 31 Dec 2009 US$	Restated 1 Jan 2009 US$
ASSETS				
Cash and short term funds	5	41 475 536	26 165 703	7 862 535
Money market investments	6	2 275 326	1 648 236	-
Mortgage advances	7	3 344 592	1 130 642	-
Investment securities	8	23 454 293	22 998 537	13 964 984
Advances and other accounts	7	73 713 559	22 393 910	2 688 932
Investments in associates	9.1	1 153 684	1 628 767	1 034 731
Trade and other receivables	10	3 984 274	2 386 593	2 421 116
Properties in possession		-	18 000	18 000
Intangible assets	11	4 355 291	2 802 863	3 361 363
Investment properties	12	8 623 999	8 288 775	6 556 387
Property and equipment	13	36 177 667	35 587 733	29 258 389
Total assets		198 558 221	125 049 759	67 166 437
LIABILITIES				
Deposits and other accounts	14	115 572 635	52 237 609	9 720 528
Amounts clearing to other banks		2 461	2 236	-
Short term borrowings		3 284 510	-	-
Trade and other payables	15	10 185 066	8 782 371	5 247 427
Current tax payable		277 363	395 573	-
Deferred tax liabilities	16	4 163 897	3 647 187	4 466 791
Life assurance funds	17	19 055 243	11 760 556	6 266 330
Total liabilities		152 541 175	76 825 532	25 701 076
EQUITY				
Share capital	18.2	1 751 883	160 000	-
Share premium	18.2	27 927 781	1 680 000	-
Other components of equity	18.3	10 052 936	38 726 249	30 780 844
Accumulated loss	18.4	(2 737 180)	(3 086 928)	-
		36 995 420	37 479 321	30 780 844
Non-controlling interest	18.5	9 021 626	10 744 906	10 684 517
Total equity		46 017 046	48 224 227	41 465 361
Total equity and liabilities		198 558 221	125 049 759	67 166 437

For and on behalf of the Board

B. P. Nyajeka	E. N. Mushayakarara	C. T. Kathemba
(Chairman)	(Group Chief Executive)	(Group Secretary)
26 May, 2011		

Company Statements of Financial Position
As at 31 December 2010

	Notes	31 Dec 2010 US$	Restated 31 Dec 2009 US$	Restated 1 Jan 2009 US$
ASSETS				
Other assets		607 825	11 504	-
Investment in subsidiaries	9.2	37 595 755	36 664 078	24 930 971
Investment securities		9 844	10 753	3 036
Agro bills		3 100 000	-	-
Investment in associates		185 970	449 487	567 454
Total assets		41 499 394	37 135 822	25 501 461
LIABILITIES				
Short term borrowings		3 281 237	-	-
Trade and other payables		890 379	242 292	-
Current tax payable		85 934	1 242	-
Deferred tax liabilities		1 986	983	30
Total liabilities		4 259 536	244 517	30
EQUITY				
Issued capital	18.2	1 751 883	160 000	-
Share premium	18.2	27 927 781	1 680 000	-
Other components of equity		-	28 150 864	25 501 431
Retained income		7 560 194	6 900 441	-
Total equity		37 239 858	36 891 305	25 501 431
TOTAL EQUITY AND LIABILITIES		41 499 394	37 135 822	25 501 461

For and on behalf of the Board

B. P. Nyajeka
(Chairman)

E. N. Mushayakarara
(Group Chief Executive)

C. T. Kathemba
(Group Secretary)

26 May, 2011

Consolidated Income Statement
For the year ended 31 December 2010

	Notes	31 Dec 2010 US$	Restated 31 Dec 2009 US$
Interest income	20.1	17 560 326	4 148 817
Interest expense	20.2	(5 878 629)	(1 111 207)
Net interest income		11 681 697	3 037 610
Gross reinsurance premium income	21	12 885 443	12 097 262
Gross life assurance premium income		4 908 329	2 578 017
Other operating income	22	22 428 704	7 477 829
Fair value adjustments	23	987 713	8 249 129
Total income		52 891 886	33 439 847
Operating expenses	24	(33 884 950)	(23 216 696)
Reinsurance expenses		(10 121 638)	(6 246 978)
Life assurance expenses		(1 893 035)	(555 553)
Operating income before risk provisions and taxation		6 992 263	3 420 620
Specific and portfolio provisions	7.3	(1 045 681)	(226 217)
Impairment of goodwill		-	(21 376)
Transfer to life assurance funds		(7 294 743)	(5 483 259)
Share of associate companies' losses after taxation	9.1	(354 411)	(172 317)
Loss before taxation		(1 702 572)	(2 482 549)
Income tax (expense) / credit	25	(899 508)	1 236 209
Loss for the year		(2 602 080)	(1 246 340)
Loss attributable to:			
Owners of parent		(1 055 669)	(2 462 428)
Non-controlling interest		(1 546 411)	1 216 088
Loss for the year		(2 602 080)	(1 246 340)
Loss per share			
Basic and fully diluted loss per share	26	(0.01)	(0.02)

	Note	31 Dec 2010 US$	Restated 31 Dec 2009 US$
Loss for the year		(2 602 080)	(1 246 340)
Other comprehensive income:			
Gains on property revaluation	18.3.2	1 490 715	8 009 433
- Gains on property revaluation as previously stated		1 490 715	8 809 072
- Prior year adjustment		-	(799 639)
Share of associate companies' revaluation reserve	9.1	(160 672)	529 466
- Share of associate companies' revaluation reserve		(160 672)	392 699
- Prior year adjustment		-	136 767
Income tax relating to components of other comprehensive income	16	(45 885)	(555 069)
Other comprehensive income for the year net of tax		1 284 158	7 983 830
Total comprehensive (loss) / income for the year		(1 317 922)	6 737 490
Total comprehensive (loss) / income attributable to:			
Owners of the parent		413 207	5 600 489
Non-controlling interest		(1 731 129)	1 137 001
		(1 317 922)	6 737 490

Company Statement of Comprehensive Income
For the year ended 31 December 2010

	Note	31 Dec 2010 US$	31 Dec 2009 US$
Interest income		-	-
Interest expense		(394 494)	(8 391)
Net interest income		(394 494)	(8 391)
Other operating income	22.2	1 364 916	11 930 741
Fair value adjustments		51 830	(4 913 772)
Total income		1 022 252	7 008 578
Operating expenses	24.2	(276 805)	(106 895)
Operating income before risk provisions and taxation		745 447	6 901 683
Profit before taxation		745 447	6 901 683
Income tax expense	25.2	(85 694)	(1 242)
Profit for the year		659 753	6 900 441
Other comprehensive income		-	-
Total comprehensive income		659 753	6 900 441

	Notes	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$
Restated balance at 1 January 2009		-	-	-	-	30 780 844	-	30 780 844	10 684 517	41 465 361
- as previously stated		-	-	-	-	25 883 468	-	25 883 468	10 226 032	36 109 500
- Prior year adjustments		-	-	-	-	4 897 376	-	4 897 376	458 485	5 355 861
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)
Restated total comprehensive income for the year		-	-	-	8 062 917	-	(2 462 428)	5 600 489	1 137 001	6 737 490
- as previously stated		-	-	-	8 725 792	-	(1 103 779)	7 622 013	1 137 001	8 759 014
- Prior year adjustments	18	-	-	-	(662 875)	-	(1 358 649)	(2 021 524)	-	(2 021 524)
Regulatory reserve in respect of doubtful debts		-	-	115 507	-	-	(115 507)	-	-	-
Transfer from retained income		-	-	1 812 319	-	834 484	(508 993)	2 137 810	(2 137 810)	-
Balance at 31 December 2009		160 000	1 680 000	1 927 826	8 062 917	28 735 506	(3 086 928)	37 479 321	10 744 906	48 224 227
Changes in equity for 2010:										
Issue of share capital		-	-	-	-	-	-	-	6 583	6 583
Treasury shares		-	(895 842)	-	-	-	-	(895 842)	-	(895 842)
Arising from redenomination of share capital		1 591 883	27 143 623	-	-	(28 735 506)	-	-	-	-
Total comprehensive loss for the year		-	-	324 578	1 144 298	-	(1 055 669)	413 207	(1 731 129)	(1 317 922)
Regulatory reserve in respect of doubtful debts		-	-	405 636	-	-	(406 902)	(1 266)	1 266	-
Transfer to retained income		-	-	(1 812 319)	-	-	1 812 319	-	-	-
Balance at 31 December 2010		1 751 883	27 927 781	845 721	9 207 215	-	(2 737 180)	36 995 420	9 021 626	46 017 046

Company Statement of Changes in Equity
For the year ended 31 December 2010

	Notes	Ordinary shares US$	Share premium US$	Functional currency conversion reserve US$	Accumulated profit US$	Total US$
Restated balance at 1 January 2009		-	-	28 150 864	-	28 150 864
As previously stated		-	-	24 933 977	-	24 933 977
Prior year adjustment	18	-	-	3 216 887	-	3 216 887
Changes in equity for 2009:						
Issue of share capital		160 000	1 680 000	-	-	1 840 000
Total comprehensive income for the year		-	-	-	6 900 441	6 900 441
Balance at 31 December 2009		160 000	1 680 000	28 150 864	6 900 441	36 891 305
Changes in equity for 2010:						
Treasury shares		-	(311 200)	-	-	(311 200)
Arising from redenomination of share capital		1 591 883	26 558 981	(28 150 864)	-	-
Total comprehensive income for the year		-	-	-	659 753	659 753
Balance at 31 December 2010		1 751 883	27 927 781	-	7 560 194	37 239 858

	Note	31 Dec 2010 US$	Restated 31 Dec 2009 US$
Cash flows from operating activities	27	19 511 914	20 088 875
Income taxes paid		(546 141)	(250 752)
Net cash generated from operating activities		18 965 773	19 838 123
Cash flows used in investing activities			
Purchase of investment properties		(4 105)	(120 000)
Purchase of intangible assets		(1 947 761)	-
Purchase of property and equipment		(1 081 974)	(194 775)
Proceeds on disposal of property and equipment		100 362	57 722
Purchase of investment securities		(748 016)	(2 426 271)
Proceeds on disposal of investment securities		954 813	1 420 289
Acquisition of investment in associate		(40 000)	(271 920)
Net cash used in investing activities		(2 766 681)	(1 534 955)
Cash flows used in financing activities			
Purchase of treasury shares		(895 842)	-
Proceeds on issue of capital		6 583	-
		(889 259)	-
Net increase in cash and short term funds		15 309 833	18 303 168
Cash and short term funds at beginning of the year		26 165 703	7 862 535
Cash and short term funds at end of the year		41 475 536	26 165 703
Cash and short term funds comprise:			
– Cash		17 564 380	9 302 951
– Local bank accounts		17 468 342	10 106 755
– Foreign bank accounts		6 442 814	6 755 997
		41 475 536	26 165 703

Company Statement of Cash flows
For the year ended 31 December 2010

	31 Dec 2010 US$	31 Dec 2009 US$
Cash flows from operating activities		
Income before taxation	745 447	6 901 684
Adjustments for:		
Fair value adjustments	(51 830)	(4 913 772)
Increase in other assets	(596 320)	(11 504)
Increase in other liabilities	648 091	(242 292)
Net cash generated from operating activities	745 388	1 734 116
Cash flows used in investing activities		
Purchase of investment securities	(3 100 000)	-
Proceeds on disposal of investment securities	-	105 884
Acquisition of investment in associate	(40 000)	-
Acquisition of subsidiary	(575 425)	(1 840 000)
Net cash used in investing activities	(3 715 425)	(1 734 116)
Cash flows used in financing activities		
Purchase of treasury shares	(311 200)	-
Net increase in cash and short term funds	(3 281 237)	-
Cash and short term funds at beginning of the year	-	-
Cash and short term funds at end of the year	(3 281 237)	-
Cash and short term funds comprise:		
– Short term borrowings	3 281 237	-

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 (and/or prior years)

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.

New and revised IFRSs affecting presentation and disclosure only:

Amendments to IFRS 7 Financial Instruments: Disclosures (as part of Improvements to IFRSs issued in 2010)	The amendments to IFRS 7 clarify the required level of disclosures about credit risk and collateral held and provide relief from disclosures previously required regarding renegotiated loans. The Group has applied the amendments in advance of their effective date (annual periods beginning on or after 1 January 2011). The amendments have been applied retrospectively.
Amendments to IAS 1 Presentation of Financial Statements (as part of Improvements to IFRSs issued in 2010)	The amendments to IAS 1 clarify that an entity may choose to present the required analysis of items of other comprehensive income either in the statement of changes in equity or in the notes to the financial statements. The Group has applied the amendments in advance of their effective date (annual periods beginning on or after 1 January 2011). The amendments have been applied retrospectively.

New and revised IFRSs affecting the reported financial performance and/or financial position:

IFRS 1 (Revised): "First-time Adoption of International Financial Reporting Standards" issued on 20 December 2010 effective for reporting periods commencing on 01 July, 2011	The Group is resuming presentation of IFRS financial statements after early adoption of IFRS1 (Revised): "First-time Adoption of International Financial Reporting Standards" issued on 20 December 2010 effective for reporting periods commencing on 01 July, 2011. The Group failed to present IFRS compliant financial statements for the year ended 31 December, 2009 due to the effects of severe hyperinflation as defined in IFRS1 (Revised). The following are the key amendments to IFRS 1 brought about by the revision: a) Reference to a fixed date of "01 January, 2004" is replaced by "the date of transition to IFRS". This eliminates the requirement to reconstruct transactions that occurred before the date of transition to IFRS.

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 (and/or prior years) (continued).

IFRS 1 (Revised): "First-time Adoption of International Financial Reporting Standards" issued on 20 December 2010 effective for reporting periods commencing on 01 July, 2011 (continued).

b) Guidance is provided for entities emerging from severe hyperinflation to resume presenting IFRS financial statements. In this regard, an entity can elect to measure assets and liabilities at fair value and to us the fair values as the deemed cost in its opening IFRS statement financial position.

The Group elected to use the "severe hyperinflation" exemption, the effect of which is to render the opening statement of financial position, prepared on 01 January, 2009, being the date of transition to IFRS, compliant with IFRS. This opening statement was reported in the prior year as not compliant with International Accounting Standard (IAS) 21: "The Effects of Changes in Foreign Exchange Rates" and IAS 29: "Financial Reporting in Hyperinflationary Economies". The Group's previous functional currency, the Zimbabwe dollar (ZW$), was subjected to severe hyperinflation before the date of transition to IFRS because it had both the following characteristics:

a) A reliable general price index was not available to all entities with transactions and balances in ZW$; and
b) Exchangeability between the ZW$ and a relatively stable foreign currency did not exist.

The Group changed its functional and presentation currency from the ZW$ to the United States dollar (US$) with effect from 01 January, 2009.

Deemed cost exemption

The Group elected to measure certain items of property and equipment, trade and other receivables, inventories, trade and other payables at fair value and to use the fair value as the deemed cost of those assets and liabilities in the opening IFRS statement of financial position.

Comparative financial information

The financial statements comprise three (3) statements of financial position, two (2) statements of comprehensive income, changes in equity and cash flows as a result of the early adoption of the amendments to IFRS1.

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 (and/or prior years) (continued).

IFRS 1 (Revised): "First-time Adoption of International Financial Reporting Standards" issued on 20 December 2010 effective for reporting periods commencing on 01 July, 2011

Reconciliation of previously prepared to IFRS compliant financial statements

Adjustments were made on the statements previously prepared in accordance with the Guidance on Changes in Functional Currency of 2009 jointly published by the Public Accountants and Auditors Board (PAAB), the Zimbabwean Accounting Professionals Board (ZAPB), and the Zimbabwe Stock Exchange (ZSE) in order to refine some of the valuation assumptions previously made and the allocation between components of the statement of financial position as at that date.

The effect of the adjustments made on the comparative figures is as follows:

Affected balance	**US$ Change 31 Dec 2009**
Increase in opening equity balance	3 061 442
Reduction in previously reported liabilities	2 889 738
Increase in previously reported assets	171 704

Refer to notes 8,11,12,13,15,16,and 18 for the prior year adjustments.

2.2 New and revised IFRSs in issue but not yet effective

The Group has not early applied the following new and revised IFRSs that have been issued but are not yet effective:

Amendments to IFRS 7 : Disclosures – Transfers of Financial Assets[1]

The amendments to IFRS 7 titled Disclosures – Transfers of Financial Assets increase the disclosure requirements for transactions involving transfers of financial assets. These amendments are intended to provide greater transparency around risk exposures of transactions when a financial asset is transferred but the transferor retains some level of continuing exposure in the asset. The amendments also require disclosures where transfers of financial assets are not evenly distributed throughout the period.

There were no such transfers as at the reporting date. However, if the Group enters into other types of transfers of financial assets in the future, disclosures regarding those transfers may be affected.

Amendments to IAS 32: Classification of Rights Issues[2]

The amendments to IAS 32 titled Classification of Rights Issues address the classification of certain rights issues denominated in a foreign currency as either an equity instrument or as a financial liability. To date, the Group has not entered into any arrangements that would fall within the scope of the amendments. However, if the Group does enter into any rights issues within the scope of the amendments in future accounting periods, the amendments to IAS 32 will have an impact on the classification of those rights issues.

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

2.2 New and revised IFRSs in issue but not yet effective (continued).

IFRS 9: Financial instruments[3]

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.

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.

Whilst the Group had early adopted IFRS 9 in 2009, the Group decided to change that position in order to allow the Group to thoroughly evaluate the potential effect of this standard. Given the nature of the Group's operations, this standard is expected to have pervasive impact on the Group's financial statements.

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

2.2 New and revised IFRSs in issue but not yet effective (continued).

[1] Effective for annual periods beginning on or after 1 July 2011.
[2] Effective for annual periods beginning on or after 1 February 2010.
[3] Effective for annual periods beginning on or after 1 January 2013.

Improvements to IFRSs issued in 2010 except for those early adopted in 2009 and 2010 with an effective date falling after 01 July, 2011 have also not been early adopted .

2.3 Critical accounting judgements and key sources of estimation uncertainty

2.3.1 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).

2.3.1.1 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" amounts to US$5 533 451 in the current year.

2.3.2 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:

2.3.2.1 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.

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

2.3 Critical accounting judgements and key sources of estimation uncertainty (continued).

2.3.2.3 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.

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.

2.3.2.4 Valuation of property and equipment and investment properties

In the current year properties were revalued at 31 December 2010 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 12 and note 13 as a "surplus on revaluation" on property and equipment and investment properties.

2.3.2.5 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 asset 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.

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

2.3.2.5 Useful lives and residual values of property and equipment (continued).

The maximum useful lives were determined as follows:

Freehold properties	33 years
Motor vehicles	4 years
Office furniture and equipment	10 years
Computer equipment	3 years

The financial effect of the aforementioned estimates on assets is expressed in note 13 as the charge for depreciation in the current year.

2.3.2.6 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$892 592.

2.3.2.7 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:

	Factor	
Key assumption area	**2010**	**2009**
Valuation discount rates (taxed)	8%	8%
Valuation discount rates (untaxed)	10%	10%
Expense inflation	6.5%	6.5%
Expected real yield	3.5%	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 2010 is made up as follows:

	31 Dec 2010 US$	31 Dec 2009 US$	1 Jan 2009 US$
Value of total liability	13 626 600	10 454 789	3 858 800
Distribution of surplus in the fund	5 428 643	1 305 767	2 407 530
	19 055 243	11 760 556	6 266 330

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

2.3 Critical accounting judgements and key sources of estimation uncertainty (continued).

2.3.2.7 Valuation of the life fund

Movements in the life fund are accounted for in the statement of comprehensive income.

In 2010, an expense overrun reserve of US$5 649 206 was determined by the actuary. This arose from the fact that:

- Income from new business during 2010 was substantially less than anticipated after the dollarization of the Zimbabwean economy in 2009. Despite the lower than expected business volumes, expenses increased in 2010. Fee recoveries were, therefore, unable to keep pace with costs incurred.
- To enhance the potential for business growth – and to reflect the dollarized environment – the Group reduced future fees on its Individual Life savings products. If the Group expands through this and other business growth initiatives, it will benefit from economies of scale in the medium to long term. In the short-term, and while business volumes recover, the change will result in further under-recoveries of costs.

Given the information at hand, the Actuary assumed that the current levels of expense overruns will continue for the next five years. If this assumption is borne out, the relevant portion of the reserve will be released in each of the next five years – without leading to any further losses being incurred due to the expense overruns already provided for. In these circumstances, the current surplus should remain relatively constant.

Further, if the situation improves over any of the next five years, part of this reserve in respect of future expenses will be released in that year. This will make a contribution to net profits in that financial year. Should the situation deteriorate, there may be a need to increase the reserve already set aside. In this case, the net profits for that year will reduce.

2.3.2.8 Loan loss provision

The portfolio provision relates to the interest risk of losses, which although not separately identified, are known to be present in any loan portfolio. In terms of accounting policy 3.5.1.6, 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.

The loan loss provision at the date of the statement of financial position amounted to US$233 553.

2.3.2.9 Loan establishment fees

In terms of accounting policy 3.4.3, the Group recognises fee and commission income on an accrual basis when the service is rendered. However according to IAS 18 "Revenue", all fees earned as a consequence of arranging a loan facility should be accounted for on the "effective interest" basis, being the rate that discounts all future cash flows to the present value of the net outflow on the loan grant date and the interest to be taken as interest income and should be spread over the term of the loan.

As at the reporting date, the Group carried an amount of US$346 581 being deferred establishment fees.

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 Statement of compliance

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 have been prepared in accordance with International Financial Reporting Standards (IFRS), and the International Financial Reporting Interpretations Committee, (IFRIC) interpretations.

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued).

3.2 Basis of consolidation (continued).

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.

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.

3.2.4 Notes to the consolidated financial statements

The notes to the consolidated financial statements are in relation to the group unless otherwise specifically indicated in the note.

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, falling under reinsurance contracts in force as at the end of the financial period notwithstanding the inception date of the contract.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued).

3.4 Revenue recognition (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,"available for sale" investments as '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.

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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued).

3.5 Financial instruments (continued).

3.5.1.4 Available for sale

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 available for sale equity instruments are recognised in profit or loss when the Group's right to receive the dividends is established.

The fair value of available for sale 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 available for sale, 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 available for sale 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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued).

3.5 Financial instruments (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 available for sale 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 available for sale 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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued).

3.5 Financial instruments (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 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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued).

3.5 Financial instruments (continued).

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.

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 discounts estimated future cash payments through the expected life of the financial liability.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued).

3.5 Financial instruments (continued).

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.

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 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.

Fair value of financial assets and liabilities

Fair value hierarchy

IFRS 7 specifies a hierarchy of valuation techniques based on whether the inputs to those valuation techniques are observable or unobservable. Observable inputs reflect market data obtained from independent sources; unobservable inputs reflect the Company's market assumptions. These two types of inputs have created the following fair value hierarchy:

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued).

3.5.4 Fair values of financial instruments (continued).

Fair value hierarchy (continued).

Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities.
This level includes listed equity securities traded on the Zimbabwe Stock Exchange.

Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).

Level 3 – inputs for the asset or liability that are not based on observable market data (unobservable inputs).
This level includes equity investments and debt instruments with significant unobservable components. This level includes non listed equity investments.

The hierarchy requires the use of observable market data when available. The Company considers relevant and observable market prices in its valuations where possible.

The table below summarises the various assets and liabilities measured at fair value and the level on the fair value hierarchy.

	Level 1 US$	Level 2 US$	Level 3 US$	Total US$
Assets at fair value through profit and loss	15 580 097	-	2 340 745	17 920 842

The Company had no other financial assets and liabilities that were carried at fair value, as at 31 December 2010.

3.6 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.

3.7 Inventories

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

3.8 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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued).

3.9 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.

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.

3.10 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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued).

3.10 Foreign currency transactions (continued).

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.

3.11 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".

3.12 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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued).

3.12 Taxation (continued).

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.

3.13 Pension funds

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

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, 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.

3.14 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.

3.14.1 The Group as lessor

When assets are held 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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued).

3.14 Leases (continued).

3.14.2 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.

Operating leases commitments

The Company leases various office buidlings under non-cancellable operating lease agreements. The lease terms are between 2 and 4 years, and the majority of lease agreements are renewable at the end of the lease period at market rate. The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	2010 US$	2009 US$
No later than 1 year	135 543	6 330
Later than 1 year and no later than 5 years	909 952	974 263

3.15 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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued).

3.16 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.

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.

3.17 Share capital

3.17.1 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.

3.17.2 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.

3.17.3 Preference shares

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

3.17.4 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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued).

3.18 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.

3.19 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.

3.20 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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued).

3.20 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.

3.21 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.

3.22 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.

3.22.1 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.

3.22.2 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 shall be recognised in profit and loss.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued).

3.22.3 Commissions

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

3.22.4 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.

3.22.5 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.

3.23 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.

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 scrip 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 the 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.

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 2010					
Total income	32 230 492	169 788	19 347 965	1 143 641	52 891 886
Net profit / (loss) contribution	3 078 661	(189 785)	(4 466 235)	(125 213)	(1 702 572)
Income tax expense	(763 312)	26 525	(33 710)	(129 011)	(899 508)
Profit / (loss) for the year	2 315 349	(163 260)	(4 499 945)	(254 224)	(2 602 080)
Attributed to:					
Non-controlling interest	502 950	-	(1 877 016)	(172 345)	(1 546 411)
Owners of the parent	1 812 399	(163 260)	(2 622 929)	(81 879)	(1 055 669)
	2 315 349	(163 260)	(4 499 945)	(254 224)	(2 602 080)
31 December 2009					
Total income	12 527 323	223 073	21 298 289	(608 838)	33 439 847
Net (loss) / income contribution	(4 646 462)	44 852	3 083 275	(964 214)	(2 482 549)
Income tax credit	1 757 851	13 566	(536 043)	835	1 236 209
(Loss) / profit for the year	(2 888 611)	58 418	2 547 232	(963 379)	(1 246 340)
Attributed to:					
Non-controlling interest	314 804	-	467 725	433 559	1 216 088
Owners of the parent	(3 203 415)	58 418	2 079 507	(1 396 938)	(2 462 428)
	(2 888 611)	58 418	2 547 232	(963 379)	(1 246 340)

4. SEGMENT INFORMATION (continued)

4.1 Segment results (continued)

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 2010					
Operating assets	135 113 858	373 771	24 477 416	(6 208 490)	153 756 555
Property and equipment	34 964 704	23 363	1 057 725	131 875	36 177 667
Investment properties	4 528 000	305 000	3 290 999	500 000	8 623 999
Total assets	174 606 562	702 134	28 826 140	(5 576 615)	198 558 221
Segment liabilities	130 364 888	53 784	22 278 065	(4 596 823)	148 099 914
Shareholders' funds	40 419 470	648 350	6 116 294	(1 167 068)	46 017 046
Current tax liabilities	285 334	-	(116 645)	108 674	277 363
Deferred tax liabilities	3 536 870	-	548 426	78 602	4 163 898
Total equity and liabilities	174 606 562	702 134	28 826 140	(5 576 615)	198 558 221

4.3 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 (restated)					
Operating assets	57 484 638	292 218	21 343 030	(749 498)	78 370 388
Property and equipment	36 354 489	69 595	1 355 434	611 078	38 390 596
Investment properties	4 439 000	281 000	3 088 775	480 000	8 288 775
Total assets	98 278 127	642 813	25 787 239	341 580	125 049 759
Segment liabilities	61 149 844	135 662	11 567 902	(70 636)	72 782 772
Shareholders' funds	33 756 710	480 626	13 634 746	352 145	48 224 227
Current tax liabilities	158 909	-	235 421	1 243	395 573
Deferred tax liabilities	3 212 664	26 525	349 170	58 828	3 647 187
Total equity and liabilities	98 278 127	642 813	25 787 239	341 580	125 049 759

		31 Dec 2010 US$	Restated 31 Dec 2009 US$	Restated 1 Jan 2009 US$
5.	CASH AND SHORT TERM FUNDS			
5.1	**Balances with the Reserve Bank of Zimbabwe**	16 026 500	11 586 084	-
5.2	**Balance with other banks and cash**			
	Current, nostro accounts and cash	25 449 036	14 579 619	7 862 535
	Total cash and short term funds	41 475 536	26 165 703	7 862 535
6.	MONEY MARKET INVESTMENTS			
	Assets classified as "Held to maturity"			
	Fixed deposits	2 275 326	1 611 568	-
	Grain Marketing Board Bond	-	36 668	-
		2 275 326	1 648 236	-
7.	ADVANCES AND OTHER ACCOUNTS			
	Loans, overdraft and other accounts	71 286 081	20 699 454	239
	Balances receivable from insurance companies	2 427 478	1 694 456	2 688 693
		73 713 559	22 393 910	2 688 932
	Mortgage advances	3 344 592	1 130 642	-
		77 058 151	23 524 552	2 688 932
	Maturity analysis			
	On demand	9 654 902	-	-
	Within 1 month	63 304 218	14 628 132	-
	Between 1 and 6 months	754 439	7 727 672	2 688 932
	Between 6 and 12 months	-	38 106	-
	After 12 months	3 344 592	1 130 642	-
		77 058 151	23 524 552	2 688 932
7.1	**Non-performing loans**			
	Included in the above are the following non-performing loans			
	Non-performing loans	4 055 751	569 166	-
	Less: Specific and portfolio provisions	(1 235 536)	(226 217)	-
	Less: Interest reserved	(1 328 617)	(25 030)	-
	Value to be received from security held	1 491 598	317 919	-

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$3 501 550 as at 31 December 2010. (2009: US$ 536 025).

		31 Dec 2010 US$	31 Dec 2009 US$	1 Jan 2009 US$
7.	**ADVANCES AND OTHER ACCOUNTS (continued)**			
7.2	**Sectoral analysis**			
	Private	10 115 181	2 504 478	-
	Agriculture	11 351 102	3 800 534	-
	Mining	25 336 781	9 179 285	-
	Manufacturing	15 863 955	1 849 678	-
	Distribution	1 669 292	1 044 814	-
	Construction	596 659	171 347	-
	Transport	1 150	7 848	-
	Services	11 206 049	3 813 097	2 688 932
	Financial	-	184 152	-
	Other	3 482 135	1 220 566	-
		79 622 304	23 775 799	2 688 932
	Less: Specific and portfolio provisions	(1 235 536)	(226 217)	-
	Less: Interest reserved	(1 328 617)	(25 030)	-
		77 058 151	23 524 552	2 688 932
7.3	**Specific risk and portfolio provisions**			
	Balance at 1 January	226 217	-	-
	Charge to the income statement	1 045 681	226 217	-
	Write offs charged against provision	(36 362)	-	-
	Balance at 31 December	1 235 536	226 217	-

The above provisions have been established in terms of the accounting policy 3.5.1.6 in respect of doubtful debts at 31 December 2010.

		31 Dec 2010 US$	31 Dec 2009 US$	1 Jan 2009 US$
8.	**INVESTMENT SECURITIES**			
	Assets classified as "fair value- through profit and loss":			
	Listed equity investments	15 580 097	15 684 894	7 508 864
	Unlisted equity investments	2 340 745	1 856 420	1 023 554
		17 920 842	17 541 314	8 532 418
	Held-to-maturity			
	Bank balances	5 533 451	5 457 223	5 432 566
		23 454 293	22 998 537	13 964 984

		31 Dec 2010 US$	Restated 31 Dec 2009 US$	Restated 1 Jan 2009 US$
8.	**INVESTMENT SECURITIES (continued)**			
	Movement of investment securities			
	Balance at 1 January 2009	22 998 537	13 964 984	13 964 984
	Additions during the year:	671 789	2 426 271	-
	- on listed equities	671 789	1 964 304	-
	- on unlisted equities	-	461 967	-
	Disposals	(948 853)	(1 308 526)	-
	- on listed equities	(948 853)	(1 308 526)	-
	- on unlisted equities	-	-	-
	Fair value adjustments	656 594	7 891 151	-
	- on listed equities	172 269	7 520 252	-
	- on unlisted equities	484 325	370 899	-
	- as previously reported	484 325	27 129	
	- prior year adjustments	-	343 770	-
	Exchange gain on bank balances	76 226	24 657	-
	Closing balance	23 454 293	22 998 537	13 964 984

Prior year adjustment is in respect of the correction of the fair value on an investment which had been based on draft figures for the year ended December 2009.

9. GROUP INVESTMENTS

9.1 Investments in associates

	31 Dec 2010 US$	Restated 31 Dec 2009 US$	Restated 1 Jan 2009 US$
Carrying amount at beginning of year	1 628 767	1 034 731	1 034 731
Acquisition of shares through rights issue	40 000	271 920	-
Share of post acquisition revaluation reserves	(160 672)	529 466	-
- as previously reported	(160 672)	392 699	-
- Prior year adjustment	-	136 767	-
Share of post acquisition losses	(354 411)	(207 350)	-
	1 153 684	1 628 767	1 034 731

The following are 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 Zimbabwe Limited	42.10%	Short-term insurance
Zimswitch Technologies (Private) Limited	27.68%	Information Technology

		31 Dec 2010 US$	Restated 31 Dec 2009 US$	Restated 1 Jan 2009 US$
9.	**GROUP INVESTMENTS (continued)**			
9.1	**Investments in associates (continued)**			
	Aggregated amounts relating to associate companies:			
	Total assets	7 715 310	6 431 844	2 305 449
	Total liabilities	4 831 102	2 394 645	572
	Revenue	2 722 187	2 086 857	-
	Loss	(1 113 764)	(517 695)	-
	Share of loss after tax	(354 411)	(172 317)	-
9.2	**Investments in subsidiaries**			
	Owned by ZB Financial Holdings Limited:-			
	ZB Bank Limited - 100%	25 745 820	23 128 622	5 008 269
	Scotfin Limited - 100%	306 500	306 500	-
	ZB Holdings Limited - 100%	1 216 587	1 102 653	13 111 280
	Intermarket Holdings Limited - 84.26%	10 307 151	11 933 489	6 744 226
	ZB Securities (Private) Limited - 100%	175 741	192 814	67 196
	ZB Transfer Secretaries – 100%	134 012	-	-
	ZB Associated Services - 100%	(290 056)	-	-
	Total investments in subsidiaries	37 595 755	36 664 078	24 930 971

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 (Private) Limited is a stockbrocking firm whilst ZB Transfer Secretaties offers transfer secretarial services for share registers domiciled in Zimbabwe. ZB Associated Services provides security services to both the Group and external customers. 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

9. GROUP INVESTMENTS (continued)

9.2 Investments in subsidiaries (continued).

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:		
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

9.2.1 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.

9.2.2 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 above transactions were concluded in 2009.

		31 Dec 2010 US$	31 Dec 2009 US$
9.	**GROUP INVESTMENTS (continued)**		
9.2	**Investments in subsidiaries (continued)**		
	The financial effects of the aforementioned transactions were as follows:		
	FINSERVE share swap transaction:		
	Cost of share swap	-	1 760 399
	Less: amount paid	-	(1 840 000)
	Goodwill	-	(79 601)
	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)
		-	-

		31 Dec 2010 US$	31 Dec 2009 US$	1 Jan 2009 US$
10.	**TRADE AND OTHER RECEIVABLES**			
	Accrued interest	26 424	27 498	-
	Inventories	945 393	1 107 214	946 850
	Items in transit	70 578	270 385	297
	Prepayments	226 516	149 877	-
	Sundry receivables	2 715 363	831 619	1 473 969
		3 984 274	2 386 593	2 421 116

	31 Dec 2010 US$	Restated 31 Dec 2009 US$	Restated 1 Jan 2009 US$
11. INTANGIBLE ASSETS			
Computer software			
Restated carrying amount at beginning of year	2 802 863	3 361 363	3 361 363
Additions at cost	1 947 761	30 796	-
Amortisation	(380 643)	(497 587)	-
Impairment	(14 690)	-	-
Prior year adjustment	-	(91 709)	-
Balance at end of the year	4 355 291	2 802 863	3 361 363

The prior year adjustment is in respect of computer software balance for the reinsurance business that had been overstated.

	31 Dec 2010 US$	Restated 31 Dec 2009 US$	Restated 1 Jan 2009 US$
12. INVESTMENT PROPERTIES			
Restated carrying amount at the beginning of the year	8 288 775	6 556 387	6 556 387
Additions	4 105	120 000	-
Fair value adjustment	331 119	1 132 388	-
Prior year adjustment	-	480 000	-
Balance at end of the year	8 623 999	8 288 775	6 556 387

The fair value of the Group's investment properties as at 31 December, 2010 has been arrived at on the basis of valuations carried out by independent professional valuers, BARD Real Estate. The valuation which 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.

The values were arrived at by applying yield rates of between 8.5% - 10% on rental levels of between US$5.50 - US$6.00 per square metre. The properties are leased out under operating lease to various tenants. The initial contracts are for a minimum period of one year after which they may be extended as negotiated.

None of the investment property is mortgaged as security for liabilities.

Rental income generated from investment properties amounted to US$543 698. Repairs and maintenance costs of investment properties that generated investment income amounted to US$83 000.

The prior year adjustment is in respect of a certain piece of land at Intermarket Holdings Limited which has been reclassified from owner occupied property to investment property.

13. PROPERTY AND EQUIPMENT

	Freehold properties US$	Equipment leasehold improvements US$	Furniture & fittings US$	Computer equipment US$	Motor vehicles & mobile agencies US$	Total US$
2009						
Cost or valuation						
Restated balance at 1 January 2009	19 979 300	1 611 441	1 389 451	1 833 359	3 964 838	28 778 389
- As previously stated	20 459 300	1 611 441	1 389 451	1 833 359	3 964 838	29 258 389
- Prior year adjustment	(480 000)	-	-	-	-	(480 000)
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	26 193 398	1 611 441	3 689 200	1 901 277	4 274 384	37 669 700
Accumulated depreciation and impairment						
Charge to income statement	115 898	318 989	82 972	464 153	663 789	1 645 801
Impairment	-	-	42 771	195 276	198 119	436 166
Balance at 31 December 2009	115 898	318 989	125 743	659 429	861 908	2 081 967
Net book value at 31 December 2009	26 077 500	1 292 452	3 563 457	1 241 848	3 412 476	35 587 733
2010						
Balance at 1 January 2010	26 193 398	1 611 441	3 689 200	1 901 277	4 274 384	37 669 700
Additions	300 000	4 139	249 830	347 385	180 620	1 081 974
Surplus on revaluation	1 620 715	-	-	-	(130 000)	1 490 715
Disposals	-	-	(38 080)	(6 820)	(39 000)	(83 900)
Balance at 31 December 2010	28 114 113	1 615 580	3 900 950	2 241 842	4 286 004	40 158 489
Accumulated depreciation and impairment						
Balance at 1 January 2010	115 898	318 989	125 743	659 429	861 908	2 081 967
Charge to income statement	163 365	276 303	340 842	394 142	734 166	1 908 818
Disposals	-	-	(2 751)	(1 362)	(5 850)	(9 963)
Balance at 31 December 2010	279 263	595 292	463 834	1 052 209	1 590 224	3 980 822
Net book value at 31 December 2010	27 834 850	1 020 288	3 437 116	1 189 633	2 695 780	36 177 667

13. PROPERTY AND EQUIPMENT (continued)

Immovable properties were revalued as at 31 December 2010 on the basis of valuations carried out by independent and professional valuers, BARD Real Estate, and in terms of accounting policy 3.8. All movable assets are carried at Directors' valuation which, in the main, was derived by the application of a depreciation charge on values established from a valuation carried out by an independent party at the beginning of the year.

The prior year adjustment is in respect of a certain piece of land at Intermarket Holdings Limited which has been reclassified from owner occupied property to investment property.

14. DEPOSITS AND OTHER ACCOUNTS

	31 Dec 2010 US$	Restated 31 Dec 2009 US$	Restated 1 Jan 2009 US$
14.1 Summary of deposits by type			
Balances of banks	8 592 650	1 165 088	359 232
Current accounts	11 437 885	3 149 860	-
Savings and call accounts	55 644 917	34 652 995	9 361 296
Fixed deposits	38 989 356	13 056 714	-
Term deposits	65 692	50 101	-
Other	842 135	162 851	-
	115 572 635	52 237 609	9 720 528
14.2 Maturity analysis			
On demand	66 825 870	2 170 909	-
Within 1 month	4 523 889	30 037 071	5 039 880
Between 1 and 6 months	39 905 427	17 405 956	2 808 389
Between 6 and 12 months	316 986	979 107	1 872 259
After 12 months	4 000 463	1 644 566	-
	115 572 635	52 237 609	9 720 528
14.3 Deposit concentration			
Private individuals	29 398 639	13 707 908	3 502 378
Agriculture	5 880 806	2 862 933	897 421
Mining	816 838	2 680 190	54 145
Manufacturing	4 894 989	1 622 366	1 575 428
Distribution	4 702 153	5 475 860	488 550
Construction	402 340	206 468	34 276
Transport	2 212 154	2 012 601	31 799
Services	25 559 694	11 499 849	1 894 631
Financial	27 394 948	5 946 680	1 177 860
Other	14 310 074	6 222 754	64 040
	115 572 635	52 237 609	9 720 528

	31 Dec 2010 US$	Restated 31 Dec 2009 US$	Restated 1 Jan 2009 US$

15. TRADE AND OTHER PAYABLES

	31 Dec 2010 US$	Restated 31 Dec 2009 US$	Restated 1 Jan 2009 US$
Unearned premium	577 134	415 808	-
Incurred but not yet reported claims reserve	1 376 174	1 008 344	-
Income received in advance	1 330 171	-	-
Interest accrued on deposits	576 924	71 084	-
Items in transit	72 157	2 988 882	2 699 767
Accrued expenses and provisions	630 657	213 488	-
Policyholders claims intimated but not paid	88 443	60 967	-
Trade payables	5 533 406	4 023 798	2 547 660
- As previously reported	5 533 406	7 523 166	2 547 660
- Prior year adjustment	-	(3 499 368)	-
	10 185 066	8 782 371	5 247 427

The prior year adjustment is in respect of the correction of some system generated balances holding foreign exchange positions which had been overstated after a system change from using the Zim Dollar as the base currency to the US Dollar base currency.

16. DEFERRED TAX LIABILITIES

	31 Dec 2010 US$	Restated 31 Dec 2009 US$	Restated 1 Jan 2009 US$
Deferred tax movement			
Restated balance at 1 January 2010	3 647 187	4 466 791	-
Charge to the income statement	470 825	(1 895 620)	-
Arising from revaluation of property and equipment	45 885	555 071	-
Transferred to deferred tax asset	-	48 020	-
Arising from the redenomination of opening balances	-	-	4 466 791
Prior year adjustment	-	472 925	-
Balance at the end of the year	4 163 897	3 647 187	4 466 791
Deferred taxation comprises:			
Temporary differences arising from:			
Property and equipment	3 691 103	4 136 058	4 466 791
Fair value adjustments on financial assets	568 113	34 974	-
General provisions and deferred income	(431 420)	(1 329 561)	-
Other	336 101	805 716	-
	4 163 897	3 647 187	4 466 791

The prior year adjustment is in respect of correction of the deferred tax calculated on valuation of property in the building society and the reinsurance business.

17. 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.

	31 Dec 2010 US$	31 Dec 2009 US$	1 Jan 2009 US$
Life fund liabilities are supported by the following net assets:			
Listed equities	11 298 205	8 951 242	4 187 094
Unlisted equities	2 467 107	660 628	758 875
Investment properties	2 363 769	1 629 526	1 414 367
Funds on deposit	3 053 945	673 180	-
Gross assets	19 183 026	11 914 576	6 360 336
Less: Deferred tax liabilities	(20 842)	(154 020)	(94 006)
Trade and other payables	(106 941)	-	-
Net assets	19 055 243	11 760 556	6 266 330

The assets and liabilities indicated above are included under appropriate sections in the consolidated statement of financial position.

		31 Dec 2010 US$	31 Dec 2009 US$	1 Jan 2009 US$
18.	**EQUITY AND RESERVES**			
18.1	**Issued capital**			
	Company:			
	Authorised:			
	1 000 000 000 ordinary shares of US$0.01 each	10 000 000	10 000 000	-
	Issued and fully paid;			
	159 188 343 ordinary shares of ZWD1x10^{-12} (revalued) each	-	-	-
	16 000 000 ordinary shares of US$0.01 each	-	160 000	-
	175 188 343 ordinary shares of US$0.01 each	1 751 883	-	-

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 were redenominated as USD shares after the ordinary Annual General Meeting held in June 2010.

18.2 Fully paid ordinary shares

	Share capital US$	Share premium US$
Balance at 1 January 2010	160 000	1 680 000
Arising from redenomination of share capital	1 591 883	27 143 623
Treasury shares	-	(895 842)
Balance at 31 December 2010	1 751 883	27 927 781

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

		31 Dec 2010 US$	31 Dec 2009 US$	1 Jan 2009 US$
18.3	**Other components of equity**			
	General reserve	845 721	1 927 826	-
	Properties and equipment revaluation reserve	9 207 215	8 062 917	-
	Functional currency conversion reserve	-	28 735 506	30 780 844
		10 052 936	38 726 249	30 780 844

	31 Dec 2010 US$	Restated 31 Dec 2009 US$	Restated 1 Jan 2009 US$

18. EQUITY AND RESERVES (continued).

18.3.1 General reserves:

	31 Dec 2010 US$	Restated 31 Dec 2009 US$	Restated 1 Jan 2009 US$
Restated balance at beginning of the year	1 927 826	-	-
Regulatory reserve in respect of doubtful debts	405 636	115 507	-
Transfer to retained income	(1 812 319)	1 812 319	-
- As previously reported	(1 812 319)	1 311 481	-
- Prior year adjustment	-	500 838	-
Transfer from non-controlling interest	324 578	-	-
Balance at 31 December 2010	845 721	1 927 826	-

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.

The transfer to retained income represents the release of the investment fluctuation reserve at the life assurance company following the creation of the expense overrun reserve which is incorporated into the life fund. The release was based on recommendations from the Group's independent actuaries.

The prior year adjustment is in respect of the correction of the amount being transfered from retained income to to cater for investment flactuations at the life assurance company, the amount of which had been overstated to the extent of the adjustment.

18.3.2 Property and equipment revaluation reserve:

	31 Dec 2010 US$	Restated 31 Dec 2009 US$	Restated 1 Jan 2009 US$
Restated balance at beginning of the year	8 062 917	-	-
Increase on revaluation of properties	1 490 715	8 009 433	-
- As previously stated	1 490 715	8 809 072	-
- Prior year adjustment	-	(799 639)	-
Share of associate companies' revaluation reserve	(160 672)	529 466	-
- As previously stated	(160 672)	392 699	-
- Prior year adjustment	-	136 767	-
Transfer to non controlling interest	(135 019)	44 595	-
Deferred tax liability arising on revaluation	(50 726)	(520 577)	-
Balance at 31 December 2010	9 207 215	8 062 917	-

The property 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.

18. EQUITY AND RESERVES (continued).

18.3.2 Property and equipment revaluation reserve (continued):

The Companies Act (Chapter 24:03) does not restrict the distribution of the property 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 property 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.

The prior year adjustment is in relation to reclassification of revaluation reserve to functional currency conversion reserve to cater for error in estimation of the value for a property in the building society.

18.3.3 Functional currency conversion reserve

	31 Dec 2010 US$	31 Dec 2009 US$	1 Jan 2009 US$
Restated balance at beginning of the year	28 735 506	30 780 844	-
Arising from acquisition of subsidiary	-	(1 057 322)	-
Transfer to non-controlling interest	-	(1 822 500)	-
Transfer to general reserve	-	834 484	-
Transfer to share capital and share premium	(28 735 506)	-	-
Arising from redenomination of balances	-	-	30 780 844
- As previously stated	-	-	25 883 468
- Prior year adjustment	-	-	4 897 376
Balance at 31 December 2010	-	28 735 506	30 780 844

The transfer to share capital and share premium in the current year was done in order to give effect to the resolution to redenominate the issued share capital from Zimbabwe dollars to United States of America dollars which is the new functional and reporting currency for the Group.

The prior year adjustment is in respect of the correction of:
- some system generated balances holding foreign exchange positions which had been overstated after a system change from using the Zim Dollar as the base currency to the US Dollar base currency and
- the estimate used for valuation of a property at the building society.

18.4 Retained income

	31 Dec 2010 US$	31 Dec 2009 US$	1 Jan 2009 US$
Restated balance at 1 January 2010	(3 086 928)	-	-
Loss attributable to equity holders of parent	(1 055 669)	(2 462 428)	-
- As previously stated	(1 055 669)	(1 103 779)	-
- Prior year adjustment	-	(1 358 649)	-
Transfer to general reserves in respect of regulatory reserve for doubtful debts	(406 902)	(115 507)	-
Transfer from general reserves in respect of investments for life fund	1 812 319	(508 993)	-
Balance at 31 December 2010	(2 737 180)	(3 086 928)	-

18. EQUITY AND RESERVES (continued).

18.4 Retained income (continued).

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 2010.

The prior year adjustment is in respect of the correction of the amount transfered to general reserve to cater for investment flactuations at the life assurance company.

18.5 Non-controlling interest:

	31 Dec 2010 US$	Restated 31 Dec 2009 US$	Restated 1 Jan 2009 US$
Restated carrying balance at beginning of the year	10 744 906	10 684 517	10 684 517
- As previously stated	10 744 906	10 684 517	10 226 032
- Prior year adjustment	-	-	458 485
Arising from capitalisation of subsidiary	-	1 822 500	-
(Loss) / profit attributable to non-controlling interest	(1 546 411)	1 137 001	-
Increase on revaluation of property	135 019	-	-
Arising from acquisition of subsidiary	-	(761 302)	-
Transfer from general reserve	(324 578)	(2 137 810)	-
- As previously stated	(324 578)	(1 636 972)	-
- Prior year adjustment	-	(500 838)	-
Arising from the issue of shares at a subsidiary company	6 583	-	-
Transfer to general reserves in respect of regulatory reserve for doubtful debts	1 266	-	-
Deferred tax arising from revaluation reserve	4 841	-	-
Balance at 31 December 2010	9 021 626	10 744 906	10 684 517

The prior year adjustment is in respect of the portion for non-controlling interest of the corrected amount tranfered to general reserve in the life assurance business.

18.6 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	1 490 715	(45 885)	1 444 830
Share of associate companies' revaluation reserve	(160 672)	-	(160 672)
	1 330 043	(45 885)	1 284 158

19. 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.

20. INTEREST INCOME

		31 Dec 2010 US$	31 Dec 2009 US$
20.1	**Interest income**		
	Interest income comprises interest on:		
	Advances	14 315 971	4 008 200
	Overdraft accounts	1 703 685	20 804
	Cash and short-term funds	865 073	119 813
	Other	675 597	-
		17 560 326	4 148 817
20.2	**Interest expense**		
	Interest expense comprises interest on:		
	Retail deposits	220 335	182 104
	Fixed deposits	4 421 238	923 604
	Short-term funds	720 784	1 985
	Other interest payable categories	516 272	3 514
		5 878 629	1 111 207
	Net interest income	11 681 697	3 037 610
21	**Gross reinsurance premium income**		
	Gross premium written	10 725 410	9 455 227
	Retrocessions commission	839 852	1 394 642
	Retrocessions claims	1 320 181	1 247 393
		12 885 443	12 097 262

22. OTHER OPERATING INCOME

		31 Dec 2010 US$	31 Dec 2009 US$
22.1	**Group**		
	Commission and fees	18 414 402	6 952 964
	Dealing income	82 142	-
	Exchange gains	425 797	360 854
	Dividends from investment securities	215 004	16 564
	Profit / (loss) on disposal of property and equipment	26 428	(54 814)
	Profit on disposal of investments	5 958	111 763
	Rent received	815 513	454 208
	Cash in transit recoveries	1 256 982	-
	Other	1 186 478	539 845
	Prior year adjustment	-	(903 555)
		22 428 704	7 477 829
22.2	**Company**		
	Dividend received	365 738	11 808 033
	Mnagement fees	999 178	122 708
		1 364 916	11 930 741

		31 Dec 2010 US$	31 Dec 2009 US$
23.	**FAIR VALUE ADJUSTMENTS**		
	On financial instruments	656 594	7 572 038
	On investment properties	331 119	1 132 388
	Prior year adjustment on unquoted equities	-	(455 297)
		987 713	8 249 129
24.	**OPERATING EXPENSES**		
24.1	**Group**		
	Commission and fees	184 223	3 542 649
	Staff expenses	16 646 035	9 340 384
	Pension fund expenses	1 112 772	383 096
	National Social Security Authority expenses	87 107	40 587
	Communication expenses	1 215 546	694 424
	Computers and information technology expenses	1 640 008	738 811
	Occupation expenses	3 442 064	2 517 095
	Transport expenses	1 050 155	683 852
	Traveling expenses	261 846	152 109
	Depreciation of property and equipment	1 908 818	1 645 802
	Amortisation	380 643	497 587
	Administration expenses	5 331 384	2 424 570
	Directors fees	609 659	119 564
	Impairment of equipment	-	436 166
	Impairment of intangible assets	14 690	-
		33 884 950	23 216 696
	Included in administration expenses are the following:		
	Auditors' remuneration	396 918	111 505
	- For current year audit	222 950	111 505
	- For prior year audit	127 468	-
	- For half year ended 30 June 2010 audit	46 500	-
24.2	**Company**		
	Travelling expenses	41 802	3 600
	Legal fees	6 817	-
	Directors fees	27 812	28 000
	Administration expenses	200 374	75 295
		276 805	106 895

		31 Dec 2010 US$	31 Dec 2009 US$
25.	**INCOME TAX CREDIT / (EXPENSE)**		
25.1	**Group**		
	Current income tax	426 126	646 325
	Deferred tax	471 576	(1 895 620)
	Tax effect on share of results of associates	-	13 086
	Capital gains tax	1 806	-
		899 508	(1 236 209)
	Zimbabwean corporation tax is calculated at an effective rate of 25.5 per cent (2009: 30.9 per cent) of the estimated taxable profit for the year.		
	Reconciliation of current income tax:		
	Loss before taxation	(1 702 572)	(2 482 549)
	Current tax on profits at basic rates	(438 412)	(347 284)
	Increase / (reduction) arising from:		
	- Exempt income	211 378	50 157
	- Expenditure not allowed	99 055	30 120
	- General provisions and deferred income	78 182	177
	- Capital allowances in excess of depreciation	776 946	473 268
	- Prepaid expenses	(46 687)	(32 452)
	- Fair value adjustments	(254 336)	472 339
		426 126	646 325
25.2	**Company**		
	Current income tax	84 691	1 242
	Deferred tax	1 003	-
		85 694	1 242

26. LOSS PER SHARE

Group

Basic and fully diluted loss per share

The calculation of basic and fully diluted loss per share for the year ended 31 December 2010 of US$0.01 (2009: loss of US$0.02) is based on the attributable loss after tax of US$1 055 669 (2009: loss of US$2 462 428) and weighted average number of shares of 175 188 343 (2009: 163 188 342).

	31 Dec 2010 US$	31 Dec 2009 US$

27. CASH FLOWS FROM OPERATING ACTIVITIES

	31 Dec 2010 US$	31 Dec 2009 US$
Net cash from operating activities working		
Loss before taxation	(1 702 572)	(2 482 549)
Adjustments for:		
Fair value adjustments on investments	(656 594)	(7 116 741)
Fair value adjustments on investments properties	(331 119)	(1 132 388)
Depreciation and amortisation	2 289 461	2 143 388
Impairment loss on intangible assets	14 690	-
Impairment loss on equipment	-	436 166
(Profit) / loss on disposal of fixed asset	(26 428)	54 814
Gain on disposal of investments	(5 958)	(111 763)
Specific and portfolio provisions	1 045 681	226 217
Share of associate companies losses	354 411	172 317
Impairment of goodwill	-	21 378
Exchange gain on bank balances	-	-
Operating cash flows before changes working capital	981 572	(7 789 161)
Increase in Grain Marketing Board Bonds	-	(36 668)
Increase in fixed deposits	(627 090)	(1 611 568)
Increase in mortgage advances	(2 213 950)	(1 130 642)
Decrease in other assets	(1 585 627)	34 618
Increase in advances and other accounts	(52 365 330)	(19 931 198)
Increase in properties on possession	17 250	-
Increase in deposits and other accounts	63 335 026	42 517 081
Increase in amounts clearing to other banks	(11 829)	2 142
Increase in other liabilities	4 687 149	2 540 045
Increase in life assurance funds	7 294 743	5 494 226
Cash generated from operations	19 511 914	20 088 875

28. AGENCY ACTIVITIES

In addition to the life assurance funds disclosed in note 17, 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:

	31 Dec 2010 US$	31 Dec 2009 US$
28. AGENCY ACTIVITIES (continued).		
Funds under management		
Investors' funds in ZB Investments Nominees (Private) Limited	7 609 508	655 121
Investors' funds in ZB Unit Trust Funds	581 656	4 128 075
	8 191 164	4 783 196
Represented by:		
Investments in money market instruments	5 957 163	2 499 483
Investments in equity instruments	2 234 001	2 283 713
	8 191 164	4 783 196

29 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.

29.1 Lending to related parties

There were advances in favour of related parties as at the reporting date.

	31 Dec 2010 US$	31 Dec 2009 US$	1 Jan 2009 US$
29.1.1 Lending to affiliate			
Alexander Forbes Zimbabwe (Private) Limited	295 073	-	-
29.1.2 Lending to other related parties			
T.A Holdings Limited	439 514	500 000	-
The related party relationship is based on common directorship.			
Also included in the advances and other accounts is the following exposure to employees.			
Advances to employees and directors	742 998	13 003	-

29 RELATED PARTY TRANSACTIONS (continued)

29.2 Remuneration of key management personnel

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

	2010 US$	2009 US$
Directors' remuneration		
- fees by the Group	27 812	28 000
- fees by subsidiaries	253 643	91 564
	281 455	119 564

The subsidiaries are as per note 9

30. CONTINGENT LIABILITIES AND CAPITAL COMMITMENTS

	31 Dec 2010 US$	31 Dec 2009 US$	1 Jan 2009 US$
30.1 Contingent liabilities			
In respect of warranties and indemnities issued in pursuance of the re-capitalisation of Intermarket Banking Corporation (Zambia) Limited	5 136 799	5 291 622	5 523 415
In respect of guarantees	6 480 584	6 354 968	211 115
	11 617 383	11 646 590	5 734 530
30.2 Capital commitments			
In respect of expenditure authorised and contracted	6 712 160	5 565 060	-
In respect of expenditure authorised but not contracted	2 869 922	-	-
	9 582 082	5 565 060	-

Capital commitments will be funded from own funds.

31. PENSION ARRANGEMENTS

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

31. PENSION ARRANGEMENTS (continued)

31.1 Defined contribution plan

The Group operates a 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.

	2010 US$	2009 US$
Total expense recognised in the income statement	1 112 772	383 096

31.2 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 (2009: 4%) per month per employee. Contributions by the Group amounted to US$87 107 for the year ended 31 December 2010 (2009: US$40 587).

32. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Financial instruments held by the Group are analysed as per notes 6, 8.

32.1 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 Group, comprising the issued share capital, reserves and retained income as disclosed in note 18 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.

32. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

32.1 Capital risk management (continued)

Consequently, gearing was maintained at nil throughout the year.

The banking, 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 will in future be 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. For the life assurance business, regular actuarial reviews are undertaken to establish the solvency of the business.

32.2 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.

32.2.1 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.

32. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

32.2.1 Liquidity risk

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.

2010	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						
Cash and short term funds	41 475 536	-	-	-	-	41 475 536
Money market investments	-	2 275 326	-	-	-	2 275 326
Advances and other accounts	9 654 902	63 304 218	754 439	-	-	73 713 559
Mortgage advances	-	-	-	3 344 592	-	3 344 592
Investment securities	-	-	-	-	23 454 293	23 454 293
Investment in associates	-	-	-	-	1 153 684	1 153 684
Trade and other payables	12 147	3 972 127	-	-	-	3 984 274
Intangible assets	-	-	-	-	4 355 291	4 355 291
Investment properties	-	-	-	-	8 623 999	8 623 999
Property and equipment	-	-	-	-	36 177 667	36 177 667
	51 142 585	69 551 671	754 439	3 344 592	73 764 934	198 558 221
Liabilities						
Deposits and other accounts	71 349 759	39 905 427	316 986	4 000 463	-	115 572 635
Amounts clearing to other banks	2 461	-	-	-	-	2 461
Short term borrowings	-	3 284 510	-	-	-	3 284 510
Trade and other payables	-	10 185 066	-	-	-	10 185 066
Current tax liabilities	-	277 363	-	-	-	277 363
Deferred tax liabilities	-	-	-	-	4 163 897	4 163 897
Life assurance funds	-	-	-	-	19 055 243	19 055 243
Total equity	-	-	-	-	46 017 046	46 017 046
	71 352 220	53 652 366	316 986	4 000 463	69 236 186	198 558 221
Period gap	(20 209 635)	(15 899 305)	437 453	(655 871)	4 528 748	-
Cumulative gap	(20 209 635)	(4 310 330)	(3 872 877)	(4 528 748)	-	-

32. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

	2 to 6	7 to 12	Above 12			
	month	months	months	months	Other	Total
2009	US$	US$	US$	US$	US$	US$
LIQUIDITY GAP ANALYSIS						
Assets						
Cash and short term funds	26 165 703	-	-	-	-	26 165 703
Advances and other accounts	14 628 132	7 727 672	38 106	-	-	22 393 910
Mortgage advances	-	-	-	1 130 642	-	1 130 642
Investment securities	-	1 648 236	-	-	22 998 537	24 646 773
Investment in associates	-	-	-	-	1 628 767	1 628 767
Trade and other receivables	94	2 386 499	-	-	-	2 386 593
Properties in possession	-	-	-	-	18 000	18 000
Investment properties	-	-	-	-	8 288 775	8 288 775
Intangible assets	-	-	-	-	2 802 863	2 802 863
Property and equipment	-	-	-	-	35 587 733	35 587 733
	40 793 929	11 762 407	38 106	1 130 642	71 324 675	125 049 759
Liabilities						
Deposits and other accounts	32 207 980	17 405 956	979 157	1 644 516	-	52 237 609
Amounts clearing to other banks	2 236	-	-	-	-	2 236
Trade and other payables	-	7 505 515	-	1 276 856	-	8 782 371
Current tax liabilities	-	-	-	-	395 573	395 573
Deferred tax liabilities	-	-	-	-	3 647 187	3 647 187
Life assurance funds	-	-	-	-	11 760 556	11 760 556
Total equity	-	-	-	-	48 224 227	48 224 227
	32 210 216	24 911 471	979 157	2 921 372	64 027 543	125 049 759
Period gap	8 583 713	(13 149 064)	(941 051)	(1 790 730)	7 297 132	-
Cumulative gap	8 583 713	(4 565 351)	(5 506 402)	(7 297 132)	-	-

		31 Dec 2010 US$	31 Dec 2009 US$	1 Jan 2009 US$
32.	**FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)**			
	Liquidity ratios			
	Total liquid assets	43 750 862	26 165 703	7 862 535
	Total liabilities to the public	115 572 635	52 237 609	9 720 528
	Liquidity ratio	38%	50%	81%
	Minimum statutory liquidity ratio	20%	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	37%	49%6	8%
	ZB Building Society	174%	45%	100%

32.2.2 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.

32.2.2.1 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.

32. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

32.2.2.1 Interest rate risk

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.

2010	Up to 1 month US$	2 to 6 months US$	7 to 12 months US$	Above 12 months US$	Other US$	Total US$
INTEREST RATE						
Assets						
Cash and short term funds	-	-	-	-	41 475 536	41 475 536
Money market investments	-	2 275 326	-	-	-	2 275 326
Advances and other accounts	9 654 902	63 304 218	754 439	-	-	73 713 559
Mortgage advances	-	-	-	3 344 592	-	3 344 592
Investment securities	-	-	-	-	23 454 293	23 454 293
Investment in associates	-	-	-	-	1 153 684	1 153 684
Trade and other receivables	-	-	-	-	3 984 274	3 984 274
Intangible assets	-	-	-	-	4 355 291	4 355 291
Investment properties	-	-	-	-	8 623 999	8 623 999
Property and equipment	-	-	-	-	36 177 667	36 177 667
	9 654 902	65 579 544	754 439	3 344 592	119 224 744	198 558 221
Liabilities						
Deposits and other accounts	71 349 759	39 905 427	316 986	4 000 463	-	115 572 635
Amounts clearing to other banks	2 461	-	-	-	-	2 461
Short term borrowings	-	3 284 510	-	-	-	3 284 510
Trade and other payables	-	10 185 066	-	-	-	10 185 066
Current tax liabilities	-	277 363	-	-	-	277 363
Deferred tax liabilities	-	-	-	-	4 163 897	4 163 897
Life assurance funds	-	-	-	-	19 055 243	19 055 243
Total equity	-	-	-	-	46 017 046	46 017 046
	71 352 220	53 652 366	316 986	4 000 463	69 236 186	198 558 221
Period gap	(61 697 318)	11 927 178	437 453	(655 871)	49 988 558	-
Cumulative gap	(61 697 318)	(49 770 140)	(49 332 687)	(49 988 558)	-	-

32. 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$
INTEREST RATE						
Assets						
Cash and short term funds	-	-	-	-	26 165 703	26 165 703
Advances and other accounts	14 628 132	7 727 672	38 106	-	-	22 393 910
Mortgage advances	-	-	-	1 130 642	-	1 130 642
Investment securities	-	1 648 236	-	-	22 998 537	24 646 773
Investment in associates	-	-	-	-	1 628 767	1 628 767
Trade and other receivables	94	2 386 499	-	-	-	2 386 593
Properties in possession	-	-	-	-	18 000	18 000
Intangible assets	-	-	-	-	2 802 863	2 802 863
Investment properties	-	-	-	-	8 288 775	8 288 775
Property and equipment	-	-	-	-	35 587 733	35 587 733
	14 628 226	11 762 407	38 106	1 130 642	97 490 378	125 049 759
Liabilities						
Deposits and other accounts	32 207 980	17 405 956	979 157	1 644 516	-	52 237 609
Amounts clearing to other banks	2 236	-	-	-	-	2 236
Trade and other payables	-	7 505 515	-	1 276 856	-	8 782 371
Current tax liabilities	-	-	-	-	395 573	395 573
Deferred tax liabilities	-	-	-	-	3 647 187	3 647 187
Life assurance funds	-	-	-	-	11 760 556	11 760 556
Total equity	-	-	-	-	48 224 227	48 224 227
	32 210 216	24 911 471	979 157	2 921 372	64 027 543	125 049 759
Period gap	(17 581 990)	(13 149 064)	(941 051)	(1 790 730)	33 462 835	-
Cumulative gap	(17 581 990)	(30 731 054)	(31 672 105)	(33 462 835)	-	-

Sensitivity analysis

A 2% change in the rate sensitive assets would result in the reported profits being increased or decreased by US$11 thousand and the total assets in the statement of financial position being increased or decreased by US$551 thousand using an average margin of 2% per annum.

A 2% change in the rate sensitive liabilities would result in the reported profits being increased or decreased by US$24 thousand and the total liabilities in the statement of financial position being increased or decreased by US$1.2 million using an average margin of 2% per annum.

32.2.2.2 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.

32. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

32.2.2.2 Foreign exchange risk (continued)

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.

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:

	31 Dec 2010 US$	31 Dec 2009 US$	1 Jan 2009 US$
Australian dollar	7 909	8 356	6 264
Botswana pula	565 563	420 683	192 691
British Pound	257 706	243 937	310 332
Indian rupee	901	866	898
Japanese yen	64 988	56 650	134 468
Malawian kwacha	2 272	2 370	7 649
Euro	817 445	1 331 519	569 953
South African rand	3 129 029	2 229 314	2 085 807
Zambian kwacha	1 077	1 108	114 491
Total assets	4 846 890	4 294 803	3 422 553
Australian dollar	-	-	(4 568)
Botswana pula	(231 698)	(134 745)	(100 470)
British Pound	(120 128)	(830 442)	(161 843)
Euro	(71 474)	(87 656)	(288 494)
South African rand	(3 028 859)	(2 111 333)	(986 885)
Total Liabilities	(3 452 159)	(3 164 176)	(1 542 260)
Net foreign currency position	1 394 731	1 130 627	1 880 293

32. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

32.2.2.2 Foreign exchange risk (continued)

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.

Sensitivity analysis
A 10% change in exchange rates would result in the reported profit being reduced / incresed by US$104 thousand and the statement of financial position being reduced / incresed by US$139 thousand.

32.2.2.3 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 of 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.

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 2010 would have resulted in an increase / decrease of US$2.1 million to the reported Group's profit and an increase / decrease in the statement of financial position of US$2.1 million.

32.2.3 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.

32. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

32.2.3 Credit risk (continued)

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:

	31 Dec 20103 US$	1 Dec 2009 US$	1 Jan 2009 US$
Classification			
Good	73 002 400	22 821 793	2 688 932
Sub-standard	649 629	169 180	-
Doubtful	112 829	512 400	-
Loss	3 293 294	21 179	-
	77 058 152	23 524 552	2 688 932

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$4.9 million and the total assets in the statement of financial position being reduced by US$7.2 million.

32. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

32.3 Other business risks

32.3.1 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.

32.3.2 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.

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.

32. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

32.3.2 Legal, reputational and compliance risks (continued)

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.

32.3.3 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.

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.

32. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

32.3.3 Technological risk (continued)

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.

32.3.4 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.

32.3.4 Solvency risk

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.

32. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

32.3.5 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$75 000 (2009: 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:

	2010 US$	2009 US$
Total insurance risk before retrocession	5 000 000	4 000 000
Retroceded risk	(4 000 000)	(3 000 000)
Insurance risk after reinsurance	1 000 000	1 000 000

32.4 Risk rating

32.4.1 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 Group was concluded on the 21st of October, 2009, using data as at 30 September 2009.

Being a Bank Holding Group (BHC), the condition of ZB Financial Holdings Limited was assessed using the RFI/(C)D rating system which is an acronym for **R**isk Management; **F**inancial Condition; Potential **I**mpact of the parent Group and non-depository subsidiaries on the subsidiary depository institutions; **C**omposite rating based on an evaluation and rating of its managerial and financial condition; and assessment of the subsidiary **D**epository institutions.

32. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

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 Group was rated using the CEFM[2] model.

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

RFI/(C)D/CAMELS/CEFM Component	Latest Rating			
	ZB Bank	ZB Building Society	ZB Asset Management	ZB Financial Holdings Group
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

RAS Component	Latest Rating			
	ZB Bank	ZB Building Society	ZB Asset Management	ZB Financial Holdings Group
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

[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

32. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

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

Overall Risk Matrix – ZB Bank Limited

Type or Risk	Adequacy of Level of Aggregate	Aggregate Risk Management Inherent Risk	Direction of Overall Composite Systems	Overall Composite Risk 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**

32. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

32.4.1 Regulatory risk rating (continued)

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**

Overall Risk Matrix – ZB Asset Management Company Limited

Adequacy of Type or Risk	Level of Aggregate Inherent Risk	Direction of Aggregate Risk Management Systems	Overall Composite Risk	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.

32. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

32.4.1 Regulatory risk rating (continued)

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.

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.

32.4.2 External credit ratings

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

Entity	2010	2009	2008
ZB Bank Limited	BBB+	BBB+	A
ZB Building Society	BBB-	BBB-	BBB-
ZB Reinsurance Company	BBB+	BBB+	A-
ZB Life Assurance Company	Not rated	Not rated	BBB+

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

33. 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 2010, 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.

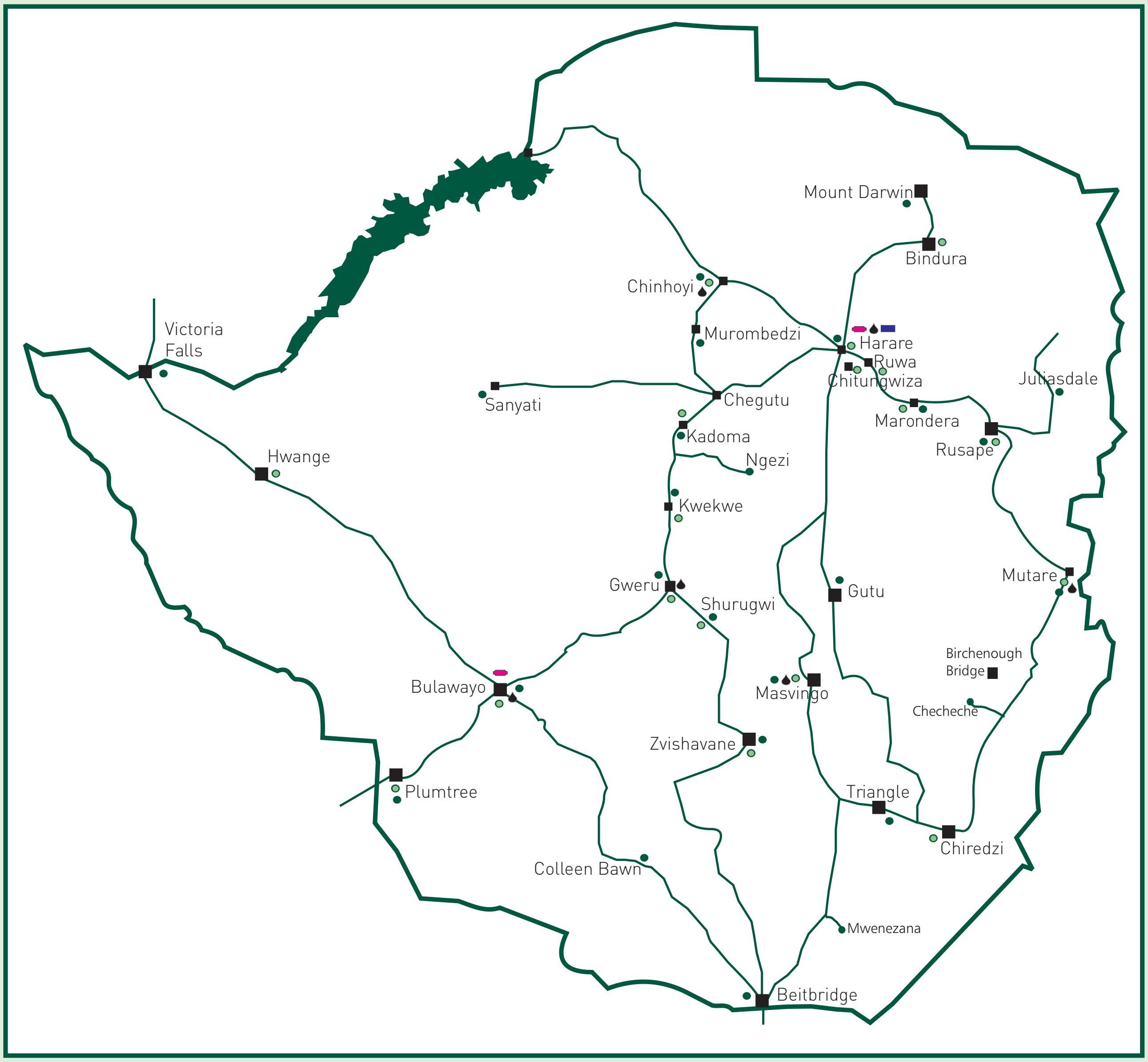
The Group did not comply with the requirement because there were no long term assets with prescribed asset status on the market during the year.

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

34. Events after the reporting period

There were no major events subsequent to the reporting perid.

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.



KEY

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

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Avondale
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Fax: (04) 302798

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Borrowdale
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Fax:- (04) 883262

Chisipite Branch
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P Box CH 233
Chisipite
Harare
Tel: (04) 495145/61
Fax: (04) 495161

Colleen Bawn Branch
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P O Box 40
Colleen Bawn
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Fax: (0284) 24445

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Southerton
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Tel/Fax: (04) 772062/5

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Rotten Row Branch
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Tel: 774281/9, 774303/9
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Westend Branch
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Fax: (04) 751869

Msasa Branch
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Amby
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Fax: (0286) 22817

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Bulawayo
Tel (09) 61795/7
Fax: (09) 889579

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Fax: (09) 75030
Bulawayo

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Old Mutual Centre
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Tel: (09) 68801

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Checheche

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Fax: (067) 25845

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Gutu
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Juliasdale
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Kadoma
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Kwekwe Branch
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Marondera Branch
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Bindura
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Bindura
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Avondale Shopping Centre
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Hwange
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Hwange
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Bulawayo Main
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Fax: (09) 76759
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Harare
Tel: (04) 253758 / 253059
Cell: 0773 668 818
Fax: (04) 702233
Website: www. zbbs.co.zw

I/We ....

of...,

being (a) member(s) of ZB Financial Holdings Limited entitled to ....votes/shares held, do hereby appoint

....or failing whom, 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 24 June, 2011, commencing at 1030hrs, and any adjournment as follows:

ORDINARY BUSINESS

Resolution Number	Type of Resolution	Provision of the Resolution	In favour of	Against	Abstain
1	Ordinary	To receive, consider, and adopt the Financial Statements and the Reports of the Directors and Auditors for the financial year ended 31 December, 2010.			
2	Ordinary	2.1 Mr. Eria Hamandishe was appointed to the Board of the Company on 25 July, 2010. In terms of Article 61 of the Company's Articles of Association, he retires by rotation at this meeting and, being eligible, offers himself for election. 2.2 Mr. Bothwell Patrick Nyajeka retires by rotation in terms of Article 68 of the Company's Artciles of Association, and, being eligible, offers himself for re-election.			
3	Ordinary	To approve the remuneration of the Directors for the past financial year.			
4	Ordinary	4.1 To ratify the appointment of KPMG Zimbabwe as the Company's auditors for 2010 4.2 To approve the remuneration for KPMG Zimbabwe for the past financial year's audit in terms of Article 112 of the Articles of Association of the Company. 4.3 To re-appoint KPMG as the Company's auditors for the ensuing year.			

SPECIAL BUSINESS

Resolution Number	Type of Resolution	Provision of the Resolution	In favour of	Against	Abstain
5	Special	5.1 Extension of authority to purchase own shares. Shareholders resolved at the Company's Annual General Meeting of 2009 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. In view of the fact that the targeted threshold of shares has not yet been met, shareholders will be requested to resolve with or without amendments: "THAT the authority to purchase own shares extended at the Annual General Meeting be and is hereby further 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
6	Ordinary	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, 2011.

Full name(s)...

Signature(s) of member(s) ....

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 the form of proxy does not preclude a person from subsequently attending and voting in person at the Annual General Meeting.

ZB Financial Holdings Head Office and Registered Office
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