ZB FINANCIAL HOLDINGS LIMITED

2011 ANNUAL REPORT

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VISION AND MISSION STATEMENT

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
P B Nyajeka (Chairman), E N Mushayakarara (Group Chief Executive), E Hamandishe, Dr C U Hokonya, F Kapanje, T Mafunda , T P B Mpofu, E Munemo.

NOTICE TO SHAREHOLDERS

Notice is hereby given that the Twenty Third 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 22 June 2012 commencing at 1030 hours 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 2011.

2. Directorate

Dr C U Hokonya and Mr T Mafunda were appointed to the Board of the Company after the last Annual General Meeting. In terms of Article 61 of the Company's Articles of Association, they retire at this meeting, and being eligible, offer themselves for election.

3. Remuneration to Directors

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

4. External Auditors

4.1 To approve the remuneration to KPMG Chartered Accountants (Zimbabwe) for the past financial year's audit in terms of Article 112 of the Articles of Association of the Company.

4.2 To re-appoint KPMG Chartered Accountants (Zimbabwe) as the Company's auditors for the ensuing year.

SPECIAL BUSINESS

5. As a special resolution:

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.

At the Company's last Annual General Meeting the resolution was extended to expire at this Annual General Meeting.

In view of the fact that the targeted threshold of shares of ten percent (10%) of the Company's issued share capital 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 last Annual General Meeting be and is hereby further extended up to the next Annual General Meeting under the same terms."

NOTICE TO SHAREHOLDERS

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
29 May 2012
10th Floor, ZB House
46 Speke Avenue
HARARE

SHAREHOLDER INFORMATION
For the year ended 31 December 2011

ANALYSIS OF SHAREHOLDERS as at 31 December 2011

Shares held	Number	% Spread	Shares held	% Holding
1 - 500	229	14.72	47 640	0.03
501 - 1000	470	30.21	269 949	0.15
1001 - 10000	411	26.41	1 775 457	1.01
10001 - 20000	270	17.35	3 785 596	2.16
20001 - 50000	101	6.49	2 696 711	1.54
50001 - 100000	18	1.16	1 303 993	0.74
100001 - 500000	35	2.25	6 940 872	3.96
500001 - 10000000	19	1.22	40 655 382	23.21
10000001 - and over	3	0.19	117 715 042	67.19
Totals	1 556	100.00	175 190 642	100.00

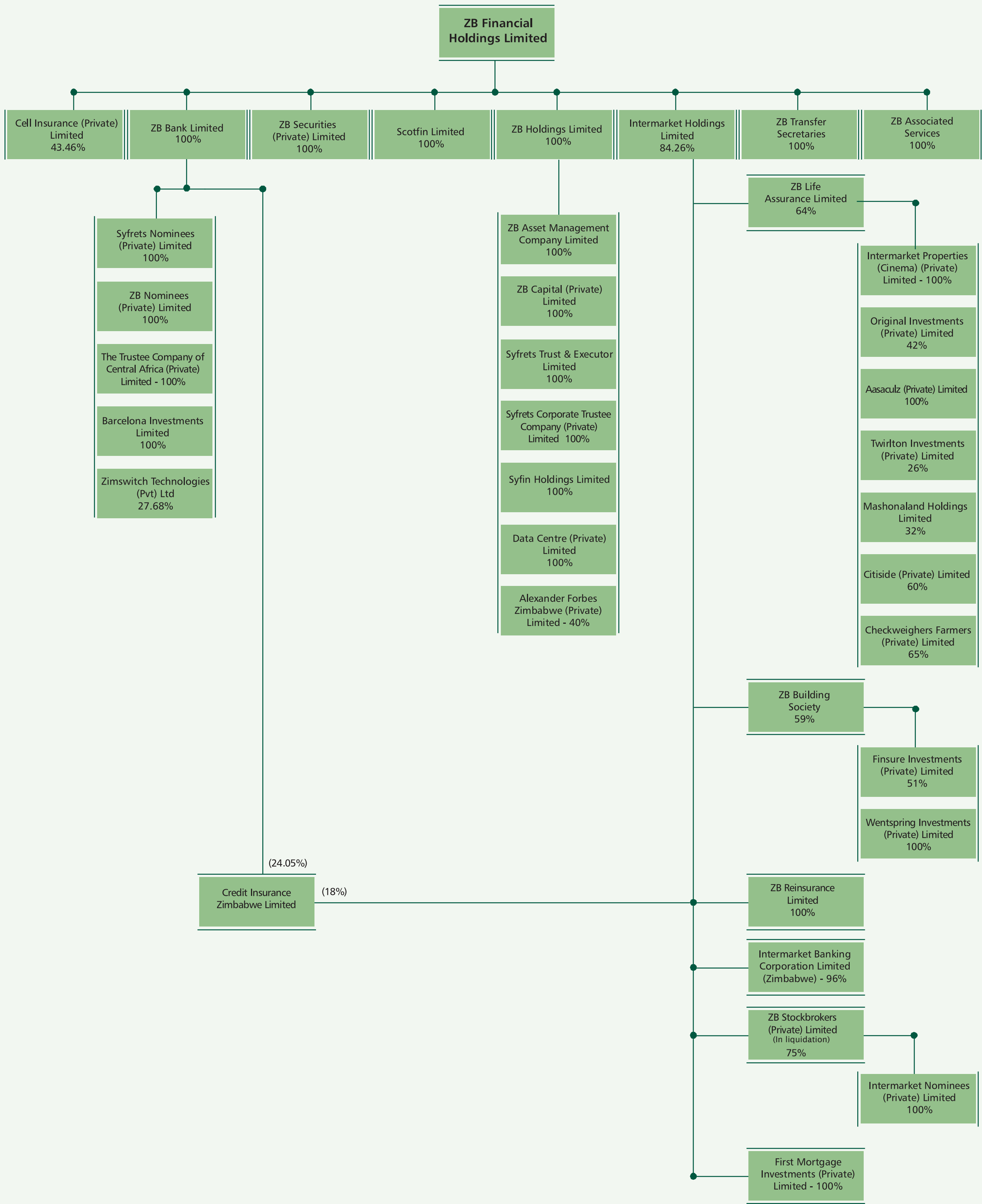
ANALYSIS BY CATEGORY

Shareholders	Number	% Spread	Shares held	% Holding
Companies	113	7.26	53 386 805	30.47
Director	1	0.06	13 875	0.01
FCDA resident and new non resident	11	0.71	206 528	0.12
Individuals	1 332	85.60	19 601 016	11.19
Insurance companies	8	0.51	11 170 576	6.38
Investment, trust and property companies	8	0.51	5 463 958	3.12
Nominee companies	41	2.63	16 803 024	9.59
Non resident transferable	23	1.48	127 492	0.07
Pension funds	19	1.22	68 417 368	39.05
Totals	1 556	100.00	175 190 642	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	41 177 201	23.50
312 543	Old Mutual Life Assurance Company Zimbabwe Limited	10 341 761	5.90
816 255	ZBS Nominees (Pvt) Ltd	9 959 502	5.68
670 139	Mashonaland Holdings Limited	5 281 975	3.01
6 438	Finhold Group Staff Trust	5 273 438	3.01
938 199	ZBFH nominees	4 847 964	2.77
555 208	Guramatunhu Family Trust	2 045 527	1.17
629 368	Ministry of Finance	2 009 157	1.15
618 428	Zimre Reinsurance (Private) Limited	1 893 798	1.08
	Total holding of top 10 shareholders	149 026 403	85.07
	Remaining Holding	26 164 239	14.93
	Total issued shares	175 190 642	100.00

GROUP CORPORATE STRUCTURE



COMPANY AND PRODUCT PROFILE

ZB Financial Holdings Limited (ZBFH) 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 ZBFH. Banking operations commenced in 1951 when the Netherlands Bank of South Africa opened a branch in the then Salisbury, now Harare. These operations which were sold to the Netherlands Bank of Rhodesia in August of 1967 maintained a steady growth through acquistions and expansion of existing operations. The Company changed its name to Rhodesia Banking Corporation Limited in 1972 and then Rhobank in 1979. After the acquisition of a majority shareholding in the Company by the Government of Zimbabwe in 1981 the Company changed its name to Zimbabwe Banking Corporation Limited. The Bank became a subsidiary of Zimbabwe Financial Holdings Limited (FINHOLD) in 1992 following a restructuring of operations in which non banking operations were removed from the Bank. The Bank was renamed ZB Bank Limited in 2006 following the adoption of a monolithic brand by the Group. The Bank provides retail banking and corporate banking services.

Products and Services

Consumer Banking

- Savings accounts
- Current accounts
- Call banking
- Bancassurance
- Personal loans

Micro-banking

- Micro business loans
- Savings accounts
- Advisory

Electronic banking

- Internet banking
- E-wallet
- Automated teller machines (ATMs)
- Point of Sale (POS) machines

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 changed its name to Intermarket Building Society and later to ZB Building Society, following the acquisition of a majority shareholding in Intermarket Holdings Limited (IHL) by ZBFH.

The main business of the Society is mobilization of deposits from which it makes advances to the public and corporate bodies on the security of mortgages over immovable property, and loans to public and corporate bodies on the security of their deposits with the Society.

ZB Building Society (continued)

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 ZBFH. The Company which was registered as an Asset Manager in May 2004, manages funds on the basis of specific mandates from clients.

Products and Services

Unit Trusts

Unit Trusts raise capital from a large number of investors and invest the funds 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.

COMPANY AND PRODUCT PROFILE

ZB Capital (Private) Limited

ZB Capital (Private) Limited 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 became wholly owned by Southern Life Association of South Africa in 1985. In line with the local majority shareholding requirement of the Insurance Act, Southern Life reduced its stake in the Company to 49% in 1994. On 1 May 1998 Southern Life 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 a majority shareholding in IHL by ZBFH, Intermarket Life Assurance Limited changed its name to ZB Life Assurance Limited on 1 July 2007.

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

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

Individual Life Products

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

Employee Benefits Products

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

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

Consultancy Services

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

Consultancy service areas include

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

ZB Reinsurance Limited

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

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

ZB Reinsurance Limited (continued)

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

Products

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

ZB Transfer Secretaries (Private) Limited

ZB Transfer Secretaries (Private) Limited is a wholly owned subsidiary of ZBFH incorporated on 31 December 2010 and provides services listed below:

- Scrip management
- Transfer secretarial services and custodial services

ZB Associated Services (Private) Limited

This entity provides a wide range of security services to Group and non - Group customers. The entity was incorporated on 17 December 2009 and is 100% owned by ZBFH. Its services includes:

- Cash in transit (CIT) services
- Guard services
- Investigations
- Security advisory services

Associate Companies

Cell Holdings (Private) Limited

ZBFH controls a stake of 43.46% in Cell Holdings (Private) Limited, having become an equity partner in the business in 2007. Cell Holdings (Private) Limited is a provider of short term insurance products specialising in the rent- a-cell concept.

Cell Holdings (Private) Limited 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

COMPANY AND PRODUCT PROFILE

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.
ZBFH 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

Alexander Forbes Zimbabwe (Private) Limited (continued)

Products (continued)

- 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

CORPORATE GOVERNANCE

ZB Financial Holdings Limited (ZBFH) is listed on the Zimbabwe Stock Exchange (ZSE) and upholds the principles of the code of corporate practices and conduct contained in the 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

- Composition of the Board

  The current Board comprises two executive directors and six non-executive directors. The Board Chairman is an independent non-executive director.

  Control of the Company 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 all accountable to the Board.

  Non-executive directors are appointed to the Board in recognition of the skill and experience they hold which enables them to discharge their duties as directors effectively and to bring independent judgement on all issues related to the Group's affairs. Article 68 of the Company's articles of association requires one third of the directors to retire by rotation annually. Eligible 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 apart from retainer and sitting fees payable to them as directors.

  All directors are required to disclose other directorships and any potential conflict of interest that may arise in their responsibility to the Group. Directors are requested to recuse themselves from deliberations on matters in which they may have a possible conflict of interest.

- Roles and Responsibilities

  The company's Board charter covers the following broad mandate;

  - To approve and adopt the strategic and annual business plans of the Group.
  - To set business objectives of the Group.
  - To review the key risk and performance areas of the Group.
  - To approve commitments outside the authority delegated to the Group Executive Committee and individual executive directors.
  - To review management's performance against set objectives on agreed key performance areas.
  - To determine overall policies to ensure the integrity of the company's management of risk and internal control.
  - To approve and adopt Group policies , programmes, as well as procedures on safety, health, environment, treasury, remuneration and benefits.

- Roles and Responsibilities (continued)

To adopt and monitor the Group's code of conduct and related matters.

To approve and adopt statutory communications to stakeholders and the investing public.

To appoint the Group Chief Executive of the Company.

To approve the appointment and removal of executive directors and the auditors, and the company secretary.

The Board monitors compliance with policies, and achievement against objectives, including quarterly performance reporting and budget updates. It also 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. Ad-hoc meetings are held whenever necessary. The agenda and relevant supporting documents are distributed to the directors well before each board meeting. During meetings, executive directors give explanations and motivations for business items where Board approvals are sought. The directors have unrestricted access to all company information and records.

A record of meetings of the Board for the year ended 31 December 2011 is shown in the table below:

	Total meetings	Meetings attended	Meetings not attended
B P Nyajeka	5	5	0
E N Mushayakarara	5	5	0
F Kapanje	5	5	0
E Munemo	5	5	0
T P B Mpofu	5	5	0
E Hamandishe	5	5	0
*Dr C U Hokonya	4	4	0
*T Mafunda	4	4	0
**J D Nhavira	2	2	0

* Dr C U Hokonya and T Mafunda were appointed to the Board on 4 May 2011.

**J D Nhavira retired from the Board on 24 June 2011

- Induction and Evaluation of Directors

Upon appointment, new directors are briefed on their fiduciary responsibilities by executive management. Directors are advised of any new relevant legislation and changing commercial risks that affect the company.

Directors are made aware of the fact that that they are entitled to seek independent professional advice at the company's expense on the affairs of the company where necessary, for the furtherance of their duties.

All directors have access to the company secretary who is responsible to the board as a whole, for ensuring compliance with procedures and applicable laws.

The Board assesses itself on a regular basis, as well as the effectiveness of its procedures.

- The Company Secretary

The Company Secretary advises the board and its sub-committees on compliance with Group rules and procedures, regulations, the King III Report, and the rules of the ZSE.

- Insider Trading

No employee may deal either directly or indirectly in the company's shares at a time the company is under a cautionary announcement or 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 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

The Board has the following committees: Board Executive, Board Audit, Board Loans Review, Board Credit Management, Board Risk Management and Human Resources and Remuneration.

- Board Executive Committee

Meetings held by the Committee during the year ended 31 December 2011 were as follows:

	Total meetings	Meetings attended	Meetings not attended
B P Nyajeka	13	11	2
E N Mushayakarara	13	10	3
E Hamandishe	13	10	3
E Munemo	13	13	0
R Mutandagayi	13	11	2

- Board Audit Committee

The Committee which comprises three non-executive directors, has four scheduled meetings per year. Ad-hoc meetings may be held when necessary. Its scope of work includes, but is not limited to, an independent examination of all matters relating to all Group key internal controls as well as assessment of risks or exposures and the review of financial statements before their publication. The external auditor's representative attends meetings of the committee.

Meetings held by the Committee during the year ended 31 December 2011 were as follows:

	Total meetings	Meetings attended	Meetings not attended
E Hamandishe	6	6	0
T P B Mpofu	6	2	4
*T Mafunda	3	2	1

* Mr Mafunda was appointed to the Committee on 4 May 2011

- Group Loans Review Committee

The Committee comprises three members , two of whom are non-executive directors. The Committee holds four scheduled meetings per year to review the Group's loan book for compliance with the Group's credit and risk policies and 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 2011 were as follows:

	Total meetings	Meetings attended	Meetings not attended
*T Mafunda	2	1	1
E N Mushayakarara	4	4	0
*Dr C U Hokonya	2	2	0
**J D Nhavira	2	1	1

* Dr C U Hokonya and T Mafunda were appointed to the Committee on 4 May 2011.

** J D Nhavira retired from the Committee on 24 June 2011

- Board Risk Management

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

Meetings held by the Committee during the year ended 31 December 2011 were as follows:

	Total meetings	Meetings attended	Meetings not attended
*Dr C U Hokonya	2	2	0
E N Mushayakarara	4	4	0
E Hamandishe	4	2	2
T P B Mpofu	4	1	3
**J D Nhavira	2	1	1

* Dr C U Hokonya was appointed to the Committee on 4 May 2011.

** J D Nhavira retired from the Committee on 24 June 2011

- 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. It also 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 2011 were as follows:

	Total meetings	Meetings attended	Meetings not attended
E Munemo	3	3	0
B P Nyajeka	3	3	0
E N Mushayakarara	3	3	0

DIRECTORS RECORD OF ATTENDANCE AT BOARD AND PRINCIPAL COMMITTEE MEETINGS DURING THE YEAR ENDED 31 DECEMBER 2011

ZB Financial Holdings Limited (ZBFH) Board

Total meetings	5
Name	**Meetings attended**
E N Mushayakarara	4
E Hamandishe	5
***DR C U Hokonya	4
***T Mafunda	4
** J D Nhavira	2
B P Nyajeka	5
F Kapanje	5
T P B Mpofu	5
E Munemo	5

ZBFH Board Executive / Credit Committee

Total meetings	13
Name	**Meetings attended**
E N Mushayakarara	10
R Mutandagayi	11
E Hamandishe	10
B P Nyajeka	11
E Munemo	13

ZBFH Board Audit Committee

Total meetings	6
Name	**Meetings attended**
E Hamandishe	6
***T Mafunda	2
T P B Mpofu	2
E Munemo	5

ZBFH Group Loans Review Committee

Total meetings	4
Name	**Meetings attended**
E N Mushayakarara	4
** J D Nhavira	1
T P B Mpofu	2
E Munemo	2

ZBFH Group Risk Management Committee

Total meetings	4
Name	**Meetings attended**
E N Mushayakarara	4
** J D Nhavira	1
T P B Mpofu	2
E Munemo	1

ZBFH Board Renumaration and HR Committee

Total meetings	3
Name	**Meetings attended**
E N Mushayakarara	3
B P Nyajeka	3
E Munemo	3

ZB Bank Board

Total meetings	4
Name	**Meetings attended**
E N Mushayakarara	3
S K Chiganze	3
R Mutandagayi	4
B P Nyajeka	4
E Hamandishe	4
E Munemo	4
F Kapanje	4
** J D Nhavira	2
***T Mafunda	3
***DR C U Hokonya	3
T P B Mpofu	4

ZB Asset Management Company Limited Board

Total meetings	5
Name	**Meetings attended**
S K Chiganze	5
F Manjokota	5
R Mutandagayi	5
Z R Churu	5
P M Nyamadzawoh	4

ZB Building Society Board

Total meetings	4
Name	**Meetings attended**
E N Mushayakarara	4
S K Chiganze	3
R Mutandagayi	3
T P B Mpofu	3
S Mahlangu	4
C Makoni	4
M T Sachak	3
C Sandura	4
E Munemo	4
S A Sibanda	3
E Mungoni	3

Intermarket Banking Corporation Limited Board

Total meetings	3
Name	**Meetings attended**
R Mutandagayi	2
D T Machingaidze	3
M Mkushi	3
P M Matupire	3
K Bangure	3

ZB Life Assurance Board

Total meetings	4
Name	**Meetings attended**
E N Mushayakarara	3
R Mutandagayi	3
A G Chinembiri	4
E T Z Chidzonga	4
W HJ Haslam	4
L Mawire	4
K P Matsikidze	4
M Mkushi	4
*T Moyo	2

ZB Reinsurance Company Board

Total meetings	4
Name	**Meetings attended**
E N Mushayakarara	4
R Mutandagayi	4
C J Murandu	4
D T Machingaidze	2
B Shumba	4
F B Chirimuuta	3
C Nyachowe	2

*Mr T Moyo retired from the ZB Life Board on 26 May 2011

**Mr D J Nhavira retired from the ZBFH and ZB Bank Boards on 24 June 2011

***Dr C U Hokonya and Mr T Mafunda were appointed as directors of ZB Bank and ZBFH on 4 May 2011

DIRECTORATE






From left to right

Bothwell P Nyajeka
(Non-Executive Chairman)

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

Elisha N Mushayakarara
(Group Chief Executive Officer)

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

Fanuel Kapanje
(Group Finance Director)

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

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)

Thamsanqa P B 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)

Dr Christopher U Hokonya
(Non-Executive Director)

Masters in Business Adminstration - Banking and Finance (University of Wales, Bangor); Doctorate in Applied Economics (Seoul National University of South Korea); Masters of Economics (Dankook University, Seoul); Bachelor of Economics (Dankook University Seoul); Bachelor of Science, Physics (University of Manchester, UK)

Tendai Mafunda
(Non-Executive Director)

Masters in Business Adminstration - Banking and Finance (National University of Science and Technology); Bachelor of Business Studies (University of Zimbabwe); Associate - Chartered Institute of Management Accountants; Associate - Institute Chartered Secretaries and Adminstrators

2011 CORPORATE SOCIAL INVESTMENT (CSI) PROGRAMME

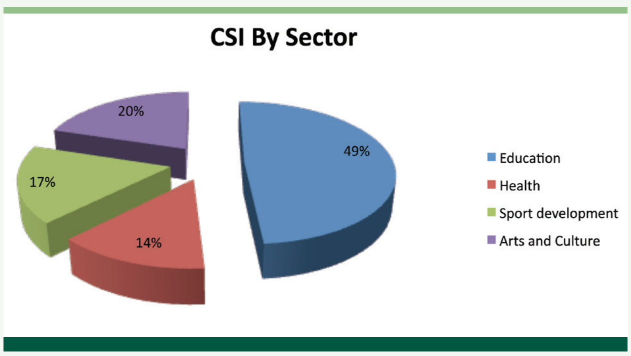
In a climate where stakeholders demand greater transparency, accountability and responsibility, the corporate world is called upon to rise and meet national and societal challenges. Furthermore, successful organizations worldwide are known to be socially responsible. ZB Financial Holdings strives to have a good relationship with the communities in which it operates.

At ZB, financial success is not the sole measure by which performance is measured. Stakeholders and the communities in which the Group operates expect the Group to contribute to the betterment of those communities and the environment in general.

Whilst the year 2011 presented businesses with significant operational challenges, the Group took time to reflect on ways in which it could make a difference to society.

The Group's CSI initiatives during 2011 focused around the following key areas:

- Education
- Health
- Sport development
- Arts and Culture



In addition, ad-hoc donations and sponsorships were also made to other worthy causes that may fall outside the above broad categories.

The selection of beneficiary programs or institutions follows a rigorous approval process which involves the construction of a detailed case and impact analysis and site visits by responsible staff before approval is granted by senior management. As a general thrust, the Group targets to invest in projects that have a long term impact and also have regenerative potential in order to assure long-term sustainability.

The following were some of the initiatives that were undertaken during the period under review:

Kubhururuka Segondo Trust

Kubhururuka Segondo Trust is a charitable organisation whose main object is to provide education support for academically gifted students coming from less privileged communities. The trust provides a favourable learning environment and boarding facilities to facilitate the academic efforts of selected students undertaking studies at advanced level.

ZB makes a donation to the scholarship fund:

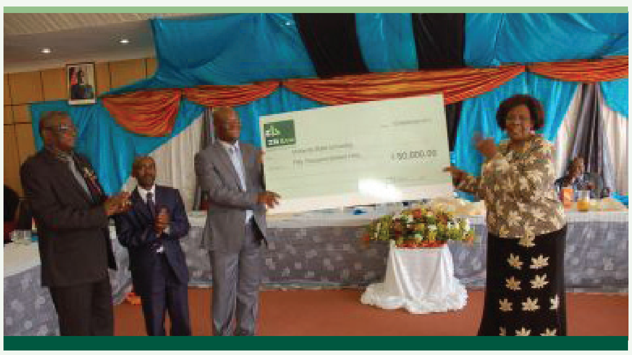
2011 CORPORATE SOCIAL INVESTMENT (CSI) PROGRAMME

Through the ZB Scholarship Fund, ZB has entered into a partnership with the Trust through which selected students receive benefit in the form of payment for all their school fees and general upkeep during the two year period in which they complete their studies in the lower sixth and upper sixth forms. Two students benefited from the scholarship in 2011.

ZB will invest into the fund on an annual basis and has committed to support the trust in other endeavors.

Midlands State University

The education sector has been ravaged by the general economic hardships that have affected the country over the last decade, threatening the general quality of education at all levels. Believing in the need to educate the youth as the future of the nation, ZB responded to a call to support the construction of a campus library at the Midlands State University making an investment of US$50 000.00 into the building fund.



Mutemwa Leprosy & Care Centre

Mutemwa is a home located in the Mashonaland East province that provides daily care, both physical as well as medical, to recovering leprosy patients, the physically challenged and the destitute. ZB supported the center through an investment of US$11 000.00 which was deployed as seed capital to purchase chickens for an egg production project. The center hopes to generate revenue from the project which should cover a significant portion of the center running costs.

Beitbridge Tree Planting Day

ZB treasures the environment and thrives to impact on it positively as it engages in its business endeavours. In promoting the “green” campaign, ZB was the major sponsor for the environment rehabilitation program through which over 500 trees were planted in Beitbridge, Matabeleland South province. The partnership with the Town Council in this regard is set to continue into the future.

Tree planting in Bietbridge:

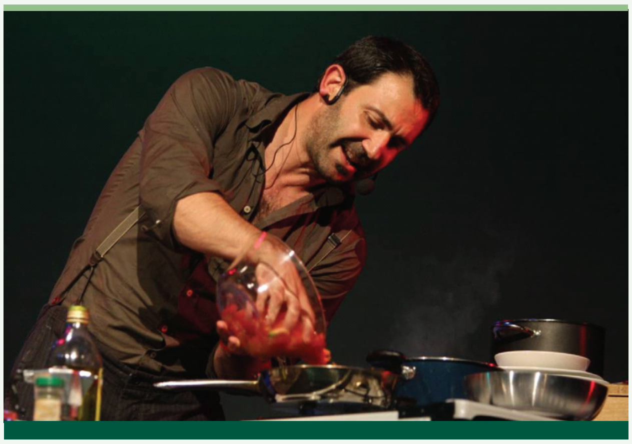
2011 CORPORATE SOCIAL INVESTMENT (CSI) PROGRAMME

Harare International Festival of the Arts (HIFA)

ZB is committed to the development of the Arts and promotion of cultural values. In pursuit of this agenda, ZB was a proud sponsor of HIFA, a week-long festival where different local and international art forms were exhibited. The “ZB Reps Theatre” played host to a number of world class theatre, dances and musical arts from various local and international artists.

Dance at the ZB Rep’s Theatre - HIFA 2011:

An intellectual show of philosophy, cookery and poetry from Italy’s Donpasta – HIFA 2011:



Other beneficiaries

The Group supported other organizations that hosted fundraising initiatives throughout the year under review. These include the ZIMRA Charity ball and the Mayor’s Cheer Funds for a number of Cities.

As part of the Group’s focus on the health delivery system in Zimbabwe, a donation of blankets was made to the Harare Children’s Home whilst a contribution was made at the graduation ceremony of nurses at Chitungwiza General Hospital.

More than 30 schools also benefited from our corporate social responsibility programme at a value of over $50 000. Most of this money went towards the purchase of books, sports equipment and rehabilitation of school buildings.

Blankets being donated to Harare Children’s Home, by the Executive Head of Business Development, S.K. Chiganze

Chitungwiza General Hospital nurses’ graduation day part sponsored by ZB Bank

Zveruvi Primary School Children pose in their new Netball Kit donated by ZB Bank.

Bothwell Patrick Nyajeka
(Non-Executive Chairman)

OPERATING ENVIRONMENT

The fiscal crisis affecting the euro-zone during the year under review exacerbated the world financial turmoil with both the developing and high-income countries being affected. Developing economies suffered a marked reduction in capital inflows thereby hampering growth prospects.

That notwithstanding, the Zimbabwean economy is expected to have grown by 9.3% to close at $10.1 billion in 2011 on the back of a largely rebound performance from a, hitherto, low base attained during the hyperinflation period which ended at the beginning of 2009.

Whilst estimated to average a level of 60%, capacity utilization in the real sectors has remained largely irregular, with the textiles and clothing sectors exhibiting substantial vulnerability.

Inflation closed the year at 4.9% with food inflation having weighed in at a level of 5.8% year-on-year.

ECONOMIC OUTLOOK

In their "Global Economics Prospects" report of January 2012, the World Bank postulates that the year ahead will be characterized by substantial uncertainty and vulnerabilities as the world economy grapples with significant downside risk occasioned by the deepening sovereign debt crisis.

The Zimbabwean economy is expected to sustain the growth momentum in 2012 on the back of projected positive performance in the finance, mining, tourism, agriculture and manufacturing subsectors which are expected to attain growth rates of 23%, 15.8%, 13.7%, 11.6% and 6% respectively.

An incessant balance of payments deficit estimated at above $600 million, together with the huge external debt burden estimated at $6.9 billion will continue to exert negative pressure on growth prospects. A credible debt clearance strategy is necessary in order to facilitate reengagement with multilateral and donor agencies to spur capital creation in the local economy.

An incessant balance of payments deficit estimated at above $600 million, together with the huge external debt burden estimated at $6.9 billion will continue to exert negative pressure on growth prospects.

THE GROUP'S PERFORMANCE

On the back of a highly volatile operating environment, the Group was able to achieve a profitable outturn, with net profit having improved by 370% from a loss position in 2010 to a profit of $7.0 million in 2011.

The performance is despite a provision for an extra-ordinary expense amounting to $2.6 million. This represents the negotiated final settlement of warranties and indemnities issued upon the invitation of a third party to participate in the recapitalization of a former subsidiary company, Intermarket Banking Corporation (Zambia) Limited. The warranties and indemnities were previously reported as contingent liabilities at a level of $5.1 million.

The quality of the Group's earnings is reflective of a stable and sustainable operating base which should be able to drive even better returns in the future.

More detail regarding the financial performance is provided by the Group Chief Executive Officer in his report.

DIVIDENDS

In order to position the Group to take full advantage of opportunities in the market, a number of strategic business units in the Group require further capital injection. In view of this critical requirement, the Board does not consider it prudent to declare a dividend for the year under review.

SHARE BUY-BACK

At the last AGM shareholders approved the extension of the authority for the share buy-back to the date of the next members meeting. A total of 15 055 905 of the Company's shares representing 8.59% of the total issued share capital have been purchased to date. The shares have been kept as treasury shares and were purchased at a cumulative average price of $0.10 per share.

FUTURE PROSPECT

Whilst the Group has sufficient capital to meet all regulatory minimum capital requirements, further liquidity injection will enhance the Group's product offering. The Group continues to scout for opportunities in this regard.

LITIGATION AND OTHER MATERIAL DISCLOSURE

The matter in which Transnational Holdings Limited is challenging the take-over of Intermarket Holdings Limited by the ZB Group is still pending at the Supreme Court of Zimbabwe.

Further, the Group continues to be listed as a Specially Designated National (SDN) by the Office of Foreign Assets and Control (OFAC) of the United States of America's Treasury Department.

ACKNOWLEDGEMENT

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

I also thank the various authorities and all stakeholders for their continued support.

B P Nyajeka
Chairman

31 May 2012
Harare

E. N. Mushayakarara
(Group Chief Executive)

An overall 6% improvement was achieved in the cost to income ratio which closed the year at 82%. The ratio improves even further when the effect of an extra-ordinary item amounting to $2.6 million is eliminated.

PERFORMANCE OUTTURN

A worsening general liquidity outturn in the market which resulted in delayed interbank settlements became the major highlight as the year 2011 came to an end.

On the other hand, heightened credit risk as an increasing number of borrowers struggled with weak business fundamentals demanded greater scrutiny of credit facilities and the implementation of loss mitigation measures.

The resultant thin interest margins, together with the lackluster performance of the Zimbabwe Stock Exchange constituted significant negative pressure on the operating results.

On the back of an overall 37% increase in the assets of the Group, the operating profit before loan loss provision and transfers to the life fund increased by 116% from $7.0 million in 2010 to $15.1 million in 2011.

An increase in the loan loss charge to the Income Statement of 198% was recognized, resulting in a charge of $3.1 million (2010 - $1.0 million). The resultant reserve represents a 3.7% (2010 -1.6%) loan loss provision ratio.

The transfer to the Life Fund amounting to $3.1 million represented a significant reduction from the prior year figure of $7.3 million. This was achieved on the back of a strong asset performance which resulted in a substantial surplus on the life fund assets.

A profit after taxation of $7.0 million was achieved, representing a 370% turn-around from the loss of $2.6 million posted in 2010.

An overall 6% improvement was achieved in the cost to income ratio which closed the year at 82%. The ratio improves even further when the effect of an extra-ordinary item amounting to $2.6 million is eliminated.

With a lot of focus having been geared towards sustainability, the Group's total assets increased from $198.6 million in 2010 to $272.6 million in 2011.This was achieved on the back of a 46% increase in the deposits which closed at $169.2 million.

REVIEW OF OPERATIONS

BANKING

A cautious return of confidence in the banking system has seen a substantial increase, albeit from a low base, in the overall usage of banking platforms. However, an estimated $2 billion continues to be transacted through the informal sector.

The inter-bank market continued to exhibit a lethargic trail whilst the lender of last resort function at the RBZ remained inactive. As a result, the Group was forced to carry substantial non-earning cash or low yielding bank balances in order to accommodate customer demands.

Deposits also remained largely transient with the velocity of withdrawals making it difficult to structure long-term loan facilities for borrowing clients.

In order to manage the cost of providing service to clients, full integration of common operations between the Bank and the Society was achieved during the year. This resulted in the merger of branches and the migration of the Society onto the Bank's core-banking application.

Both the Bank and the Society were able to post positive results notwithstanding the challenges noted above.

ZB BANK LIMITED

The Bank posted a consolidated profit after taxation of $7.0 million, representing a 394% increase from prior year. The total comprehensive income amounted to $8.5 million compared to $2.6 million in 2010.

Total footings on the Statement of Financial Position increased by 39% to close the year at $205.6 million. This is on the back of a 43% increase in the deposit book.

In the execution of the on-going channel review project, the Bank opened a new branch in Gwanda and commissioned numerous Point of Sale (POS) terminals during the year.

ZB BUILDING SOCIETY

The Society achieved a 105% growth in its profitability, posting a consolidated profit after taxation of $2.2 million. Its total comprehensive income for the year amounted to $2.7 million.

A loan loss provision well below 1% was achieved owing to the effectiveness of the loan securitization structures in place.

Total assets increased by 43% to close at $35.8 million whilst the mortgage book closed at a modest $4.5 million which is largely on the back of employer assisted schemes.

The Society embarked on Phase 2 of the Springvale property development project in Ruwa in which 395 residential stands were developed. Selling of the stands is scheduled to commence in the first half of 2012.

INSURANCE

ZB LIFE ASSURANCE LIMITED

The nascent recovery of premium paying business continued to suffer from high levels of surrenders and withdrawals.

Gross premium income increased by 23% to $6.1 million in 2011 compared to $4.9 million in 2010. On the other hand, benefits payout increased disproportionately by 146% from $1.9 in 2010 million to $4.7 million in 2011.

A strong investments performance, yielding a fair value credit of $6.8 million, restricted the amount transferred to the Life Fund to only $3.1 million (2010 - $7.3 million) resulting in the company posting a profit after taxation of $2.2 million (2010 —loss of $5.1 million).

Total assets increased by 26% to close the year at $29.5 million inclusive of life fund assets amounting to $22.1 million.

ZB REINSURANCE COMPANY

Gross premiums increased by 16% to an amount of $12.5 million in 2011 with a lot of emphasis being placed on the quality of risk assessment in an environment exhibiting an increasing claims pattern.

Risk retention was largely restricted to profitable classes resulting in a net premium ratio of 62% (2010 —69%).

A significant claims payout ($3.0 million) and business mobilization expense ($2.0 million) saw the underwriting result decline from $0.9 million in 2010 to $0.8 million in 2011.

The profit after taxation amounted to $588 thousand compared to $649 thousand in the prior year whilst total assets increased by 22% to close the year at $6.6 million.

FUND MANAGEMENT AND STOCK-BROKING OPERATIONS

The depressed performance of the Zimbabwe Stock Exchange, which posted a 4.63% year-on-year decrease in total capitalization throughout 2011, affected business prospects for the asset management and stock-broking fraternity in general.

The Group has re-evaluated the strategic merit of continued exposure in these sectors and concluded that the operations currently in the Group bring synergistic benefits to the overall strategy execution and will therefore be maintained.

The operating imperative for both ZB Asset Management Company and ZB Securities in the short term is therefore to preserve capital whilst opening business avenues for the future. Both entities received further capitalization in the sum of $410 thousand and $850 thousand respectively.

ZB Asset Management reported a loss after taxation of $53 thousand in 2011, an improved outturn from the loss of $163 thousand in 2010. Their total assets amounted to $1.1 million (2010 - $702 thousand), whilst funds under management grew by 454% to close at $45.4 million (2010 - $8.2 million).

On the other hand, ZB Securities posted a loss of $194 thousand (2010 - $188 thousand) from a total assets of $1.5 million (2010 - $598 thousand).

OTHER OPERATIONS

The Group operates numerous other entities with interests in properties and other activities that are supportive to the overall Group operations. These units provide cost protection to the Group and are generally operated on a cost recovery basis. It is noted that cost stabilization has been largely achieved to the benefit of all major strategic business units.

The Group's associate interests in the short term insurance sub-sector have posted decent profits and are poised to strengthen their market share.

OPERATIONS OUTLOOK

The Group is set to continue with the channel expansion project and infrastructure will be set-up subject to a detailed appraisal of available business opportunities.

A substantial budget has also been set aside for the redecoration of some of the older branches in order to enhance customers' experience.

The Group also plans to undertake a number of initiatives aimed at availing increased liquid resources for borrowing clients.

INTERNAL PROCESSES AND SYSTEMS

The Group successfully completed Phase 1 of the Technology Enhancement Project announced in my report accompanying the 2010 financial statements. This phase involved the replacement of the core banking system with a newer version which is designed to a world class standard. The Group also implemented new Treasury Management and Trade Finance systems through which it will soon be releasing tailor-made products for its clients.

Phase 2 will see the implementation of a suite of risk management systems and is set to commence in the second quarter of 2012.

The current operating environment is fraught with the risk of fraudulent loss. The Group will continue to review its processes in order to minimize loss events. The Group also continues to review its insurance arrangements in order to ensure that the impact of any loss event is minimised.

HUMAN CAPITAL

As at the close of the year, the Group employed 1 419 staff members comprising 989 permanent members and 430 contract members.

The Industrial relations climate was generally peaceful during the period under review.

A total of 1649 attendances were recorded for 139 courses in the year under review. A total of 47 external courses and seminars were also attended by selected staff members.

Staff members and their families continued to utilize the clinic facility provided by the Group.

Membership to the ZB Financial Holdings Group Pension Fund as at 31 Dec 2011 stood at 929.

APPRECIATION

I would like to acknowledge all our valued clients and thank them for their continued support.

I would also like to express my gratitude to all regulatory authorities for their support and hope for continued harmonious relations into the future.

My gratitude also goes to the Board Chairman and all Directors within the ZB Group for their contribution and wise counsel.

Finally, I thank management and staff for their unwavering commitment to the Group's cause.

E N Mushayakarara
Group Chief Executive

31 May 2012
Harare

ECONOMIC OVERVIEW

World Economy

According to the World Economic Outlook report produced by the International Monetary Fund, global economic output rose by 3.8% in 2011 following a 5.2% growth in 2010. Output in advanced economies rose at a slower rate of 1.6% in 2011 compared to the 3.2% growth achieved in 2010, owing largely to the escalating Euro sovereign debt crisis, with various forms and degrees of austerity measures having been implemented by Governments and fiscal authorities by the end of the year, in some instances, amid high political tension. The world economy is projected to grow by 3.3% in 2012, strengthening to 3.9% in 2013. Output in advanced economies is projected to grow by 1.2% in 2012 and further by 1.9% in 2013.

In sync with the growth trajectory for the world economy, emerging and developing economies increased economic output by 6.2% in 2011 down from the previous growth of 7.3% realised in 2010, with economic growth in Sub-Saharan Africa similarly decelerating from 5.3% in 2010 to 4.9% in 2011. Emerging and Developing Economies are expected to feel the knock from reduced international demand hence their economic output is expected to grow by 5.4% and 5.9% in 2012 and 2013, respectively.

Domestic Economy

The domestic economy registered robust growth, having grown by 8.4% in 2010 and is estimated to have grown further by 9.3% in 2011. Expansion in economic activity in 2011 was underpinned by growth in mining (25.8%), agriculture (7.4%), finance and insurance (24%), distribution and tourism (10.3%) and manufacturing (3.5%). With the current low levels of gross capital formation (GCF) estimated at 22.2% of Gross Domestic Product (GDP) in 2011, the country is expected to remain a net importer. A minimum GCF sustained threshold of 30% of GDP is required for the nation to be self sustaining.

Despite the achievement of positive economic growth since the introduction of the multi-currency regime in 2009, the nation continues to grapple with several challenges which include, inter-alia, inconsistent economic policies emanating from conflicting political dispositions, uncertainty over the implementation of the indigenisation and economic empowerment policy, uncertainity on the conclusion of the constitutional reform process and the timing of the general elections. Erratic power supply, rising utility costs, acute liquidity constraints and low levels of foreign direct investment continue to weigh down on future growth prospects. Despite the existence of this cocktail of challenges, the economy is expected to grow at 9.4% in 2012, albeit from a rather low base.

Agriculture

Maize production increased from 1.3 million tonnes in the 2009/2010 season to 1.5 million tonnes in the 2010/2011 season. In the 2012/2013 season, the country is projecting to harvest 1.8 million tonnes of maize. Zimbabwe planted 247,000 hectares of maize in the 2011/2012 farming season, down from 379,993 hectares achieved in the 2010/2011 farming season.

Tobacco deliveries increased by 7.3 % from 123.4 million kilogrammes (kgs) in the 2010 selling season to 132.4 million kgs in 2011. An output of 150 million kgs is expected in the 2012 selling season on the back of an anticipated improvement in international tobacco prices, as Brazil and the USA, the traditional tobacco producing powerhouses, are expecting reduced output of 150 million kgs and 50 million kgs, respectively, in 2012.

In the 2011 cotton selling season, a total of 250,000 tonnes were sold on the market, that being a 7.4% decline from the 2010 deliveries amounting to 270,000 tonnes. A projected output of 286,000 tonnes is expected in the 2012 selling season. Cotton production in the country continues to face challenges owing to a shortage of funding for the production of the crop and price volatility during the selling season. In the 2011 selling season, ginners bought cotton at an average price of US$0.85 per kg, which is almost a 183% increase on the 2010 average price of US$0.30 per kg.

Overall, the agricultural sector is estimated to have registered a positive growth of 7.4% in 2011 and is projected to register a further 11.6% growth in 2012.

ECONOMIC OVERVIEW

Mining

Mining output is estimated to have grown by 25.8% in 2011. A further growth of 15.9% is projected for 2012, spurred by an increase in funding from lines of credit of which the Ministry of Finance had approved a total of US$502 million worth of investment in equipment by the end of 2011. In 2012, mineral production is set to increase as follows:- gold (15.4%), nickel (14.3%), coal (16.7%), chrome (7.1%), platinum (14.3%) and palladium (14.3%).

In 2011, the Zimbabwe Investment Authority (ZIA), the country's investment promotion body, approved projects worth US$6.6 billion, with the mining sector attracting the bulk of approvals, worth US$3.68 billion (55.8%).

In compliance with the indigenisation drive, in 2011 several mining community share ownership schemes were established and these include amongst others, the Mhondoro-Ngezi Community Share Ownership Trust and the Tongogara Community Share Ownership Trust.

Manufacturing

The manufacturing sector is estimated to have grown by 3.5% in 2011. It is projected to register a higher growth of 6.0% in 2012. During the first half of the year to June 2011 the average capacity utilisation in the manufacturing sector improved to about 57.2%, compared to 43.7% in 2010. The top performing sub-sectors in 2011 were Drinks, Tobacco & Beverages (93%), Wood & Furniture (69%), Non-metallic Mineral Products (57%), Metals & Metal Products (56%) and Foodstuffs (50%). The relatively low performing sub-sectors in 2011 were Chemicals & Petroleum Products (43%), Transport Equipment (27%), Clothing & Footwear (25%), Paper Printing and Publishing (25%) and Textile & Ginning (20%).

Although the projected growth of 6.0% in 2012 is attainable, the manufacturing sector remains saddled with challenges which include, inter-alia, frequent power cuts, high level of competition from imports, shortage of working capital and long-term funding for re-capitalisation, which is exacerbated by the prevailing high interest rates and wage levels, and inconsistent economic policies.

A fund raising initiative to mobilise a target US$40 million through the Distressed and Marginalised Areas Fund (DiMAF) earmarked for the resuscitation of industrial operations in Matabeleland was initiated by Government. However, Government estimates that only 58 out of the targeted 87 closed companies would benefit from the fund.

Tourism

The tourism sector is estimated to have grown by 10.3% in 2011. The sector is projected to grow by a further 13.7% in 2012. The recovery of tourism in Zimbabwe has resulted in growth in average bed occupancy from 36% in 2010 to 37% in 2011. Stronger national tourism marketing initiatives are expected to give impetus to growth in room occupancy to 56% in 2011 and to more than 60% in 2012. The Open Sky policy is starting to offer benefits as shown by the arrival of the Emirate Airlines.

Zimbabwe won the bid to co-host the 2013 United Nations World Tourism Organisation General Assembly (UNWTO) alongside Zambia and this should see a substantial amount of investment being directed to this cause, with possible long-term spin-offs being recognised.

ECONOMIC OVERVIEW

Information Communication Technologies (ICTs)

Voice penetration rate, otherwise referred to as tele-density, improved in 2011, reaching 68%, of which mobile phone penetration accounted for 65%, making Zimbabwe one of the countries in Africa with very high tele-density alongside South Africa, Botswana, and Mozambique. Zimbabwe's internet penetration rate at around 13% remains below the international levels of 26.6%, although above the regional average of 11%.

ICT is one of the pillars of the economy's development agenda and Government has enacted the ICT Bill to consolidate convergence and regulation, as well as establishing and implementing a policy on E-governance that will facilitate the connectivity of all Government services.

In 2011, mobile phone operators introduced a range of services ranging from mobile internet to money transfer platforms. Banks have leveraged off the enhanced technical capacity to offer improved mobile banking services in partnership with the network operators, thus broadening financial inclusion to capture the, hitherto, unbanked and/or under-banked societies.

MONETARY AND FISCAL DEVELOPMENTS

Money Supply Growth

Broad money supply increased from US$2.36 billion, in January 2011, to US$3.30 billion by end of December 2011, translating to annual growth of 39.8%. However, deposits held by banks, continue to be largely short term in nature. As at 31 December 2011, short term deposits, which comprise demand, savings and under 30-day deposits, constituted 90.4% of the total deposits in the banking sector. The high concentration of short term deposits is reflective of a deficient saving culture, itself a result of constrained liquidity in the economy, thus curtailing the opportunity for long-term investment.

Inflation

The annual inflation rate was 3.5% in January 2011 closing at 4.9% in December 2011. Inflation averaged 3.1% and 3.5% in 2010 and 2011, respectively, and in both years, the outturn was considerably below the regional average inflation levels. The increase in the average rate of inflation from 3.1% in 2010 to 3.5% in 2011 was largely attributable to increases in utility charges and the introduction of duty on some basic commodities in the 2011 Mid-Term budget. Furthermore, the disturbances in North Africa pushed oil prices above US$110.00 per barrel, a development which induced inflationary pressures which were compounded by the firming of the South African Rand against the US dollar.

In the outlook period, the international crude oil price is expected to fall below US$100.00 on the back of anticipated slow global recovery in 2012 amid a continuing sovereign debt crisis in the Eurozone. Industrial capacity utilisation is expected to gradually increase throughout 2012. However, the surtax introduced by the Ministry of Finance on 1st of January 2012 on a range of products, anticipated power utility tariff increases and continued high interest rates being charged by banks are expected to stoke inflation in the future.

ECONOMIC OVERVIEW

Money Market and Interest Rates

On the international market, the benchmark London Inter-Bank Offered Rate (LIBOR); 1 year LIBOR Interest rate rose by 0.3185 percentage points from 0.7818% in January 2011 to 1.1003% in December 2011 while the 90 day interest rate also rose by 0.3245 percentage points from 0.4554% to 0.7799% during the same period. Confidence between banks - which LIBOR essentially measures - was tested by fears of rate rises in early 2011 at the height of the Middle East turmoil. Panic about a European sovereign debt crisis in July 2011spurred the biggest LIBOR rise.

On the local money market, commercial banks weighted average base lending rates rose from 9.5% in January 2011 to 13.2% in December 2011 whilst for merchant banks it declined from 29.49% to 19.56%, during the same period. However, commercial bank's deposits rate for 3-months ranged from 0.50%-18% and those for accepting houses ranged from 10%-17% during the same period. In a bid to assist banks, the Ministry of Finance availed US$7 million to the central bank for the Lender of Last Resort (LOLR) activities in February 2011. However, owing to stringent collateral requirements, banks could not access the facility. The 2012 National Budget further allocated US$100 million to the central bank to kick-start the LOLR function, but again this rather small facility will only improve liquidity conditions, albeit marginally, if modalities associated with accessing such funds are favourable to players in the banking sector.

Going forward, the persistent liquidity shortages, the limited external lines of credit associated with the perceived high country risk profile, the limited performance of the lender of the last resort facility (LOLR) function by the central bank, the limited inter-bank trading and high bank operating costs are all going to keep the interest rates high until a solution to the problems has been found.

Equities market

Performance on the Zimbabwe Stock Exchange (ZSE) experienced a downturn in 2011 owing to the liquidity crisis in the banking sector and the severely reduced foreign investor participation, occasioned by the absence of clarity in the implementation of the Indigenisation and Empowerment Act with the mining sector being the worst affected. Consequently the ZSE missed the initial 2011 market capitalisation target of US$5.1 billion. Total market capitalisation as at 31 December 2011 stood at US$3.69 billion, while the mining and industrial indices stood at 100.70 and 145.86, respectively, at the end of 2011. Market capitalisation remained stagnant at US$4.1 billion in the first quarter of 2011 owing to the indifferent performance of the industrial index before dropping in the second half of the year under review. Value of trades on the local bourse increased by 22% from US$391.6 million in 2010 to US$477.5 million in 2011.

In the outlook period, activity on the Zimbabwe Stock Exchange is expected to remain depressed until there is clarity on Government's long term position concerning the Indigenous and Economic Empowerment Act and the holding of credible national elections.

Financial Sector

According to the Reserve Bank of Zimbabwe, 19 out of 26 banks were able to meet the 30 June 2011 deadline for minimum capitalisation and 6 banks were further given a special dispensation of up to February 2012 to comply with the Central bank regulation. As at 31st December 2011, there were 26 operational banking institutions (17 commercial banks, 4 Merchant Banks; 4 Building Societies and a Post Office Savings Bank), 16 asset management companies and 157 microfinance institutions under the supervision of the Reserve Bank.

The Central Bank announced that the Banking Laws will be amended to strengthen the Troubled and Insolvent Bank Resolution Framework incorporating Prompt Corrective Actions (PCAs) as the current one is out of sync with best practices. To increase supervision the Central Bank announced that with effect from quarter ending 31 March 2012, every banking institution would be required to submit stress test results to the Reserve Bank within 30 days from the end of each quarter.

In the outlook period, significant and sustained recovery of the financial sector is likely to be premised on the full recovery of the country's real sectors, and the return of the lender of last resort function by the Central Bank.

ECONOMIC OVERVIEW

Public Finance

Cumulative gross collections for the year 2011 amounted to US$2.8 billion against a target of US$2.5 billion. On the other hand, net collections were US$2.6 billion against a target of US$2.5 billion, resulting in a 4% positive variance. Quarterly percentage contributions to revenue were 22%, 24%, 25% and 29% for the first, second, third and fourth quarters respectively.

At 40% of total revenue, Value Added Tax (VAT) was the single largest component of revenue and amounted to US$1.1 billion against a target of US$990 million, resulting in a 10% positive variance. Collections under Individual Taxes came second with a contribution of 22% to total revenue amounting to US$588 million, against a target of US$480 million. VAT on local sales contributed 56% of the total VAT revenue head. As a result of depressed capacity utilisation, the local industry could not satisfy the demand of the economy. Consequently, imports improved revenue collections under Import VAT. A total of US$334 million was collected by way of Customs Duty against a target of US$325 million, giving rise to a positive variance of 3%. Customs Duty, at 12% of total revenue, came third followed by Company Tax and Excise Duty which both contributed 11% to total revenue, and whose collections stood at US$296.6 million and US$306.6 million, respectively. Both revenue heads were above target by 10% and 30% respectively. In respect of Excise Duty, fuel had the highest contribution of 63% towards this revenue head's collections, followed by beer which contributed 24%.

In the outlook period, the government revenue will continue to be constrained by the relatively slow pace of economic recovery especially that of the manufacturing sector. Revenue from the mining sector, especially diamond mining if it is reliased is, however, expected to somewhat, boost government's revenue base.

EXTERNAL SECTOR

Export Shipments

Exports increased significantly by 28.4% from US$3.38 billion in 2010 to US$4.34 billion in 2011. Precious metals played a pivotal role in boosting export receipts, However heavy reliance on such commodities is risky as they are exposed to price fluctuations on the international market, hence the Government should put in place policies that ensure that the manufacturing sector recapitalises so as to compete effectively on the international market for exports.

In the outlook, the deepening effect of the Eurozone sovereign debt crisis on international commodity prices and negligible capital inflows are expected to adversely affect export performance for Zimbabwe. In addition, erratic rainfalls experienced in the 2011/12 farming season are likely to necessitate the importation of grain to augment domestic output in order to ensure food security.

Import Payments

Imports grew by 23.5% from U$5.16 billion in 2010 to US$6.37 billion in 2011 as the nation continues to rely on imports. The Ministry of Finance introduced duty on some basic commodities and surtax on some selected products in a move that is likely to reduce the value of imports in 2012.

The current account deficit was estimated at US$1.89 billion in 2011, representing 23.4% of GDP. The capital account is estimated to have improved from a surplus of US$617.5 million in 2010 to a surplus of US$1.22 billion in 2011, with the inflows remaining inadequate to finance the current account deficit.

ECONOMIC OVERVIEW

External Debt

The country had an external debt of over US$7 billion as at June 2011. The debt was accumulating interest of about US$300 million annually. The high level of external debt implies that the country is now in debt distress and cannot access new financial support from both bilateral and multilateral sources.

The proposal for Zimbabwe to apply for the IMF's Highly Indebted Poor Countries (HIPC) status reached a stalemate within Government due to its stringent conditions. However, the government is working on a strategy to solve its debt overhang and has since introduced the Zimbabwe Accelerated Debt Clearance Strategy (ZADCS). The implementation of this strategy is expected to unlock financial support from bilateral and multilateral institutions.

Exchange Rate Management

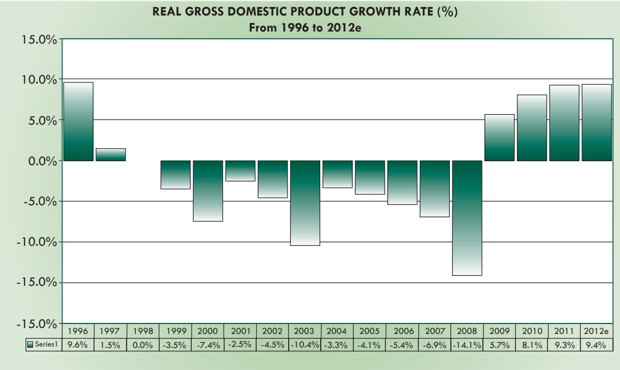
With the introduction of the multiple currency system, the Reserve Bank has had a minimum role in monetary policy formulation and its role is now largely focused on banking supervision. The United States dollar is the major currency that is currently being used to transact in the economy after efforts to join the Rand Monetary Union (RMU) did not materialise. Exchange rate remains an exogenous variable and the Central bank will not have control on movements in exchange rates; rather there will be determined by forces on the international market. Considering that Zimbabwe's major trading partner is South Africa, the depreciation of the rand against the US dollar by 22.5% between January 2011 and December 2011 had an impact on general prices.

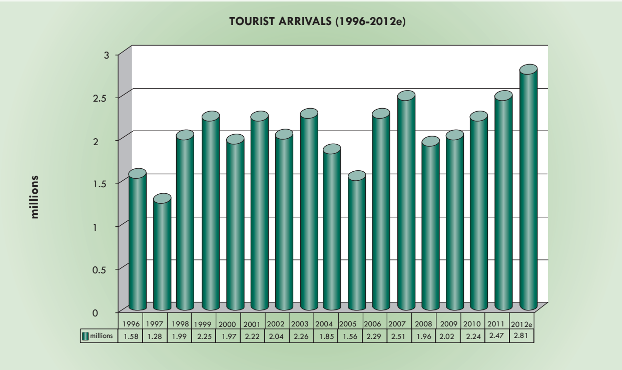
Economic Outlook

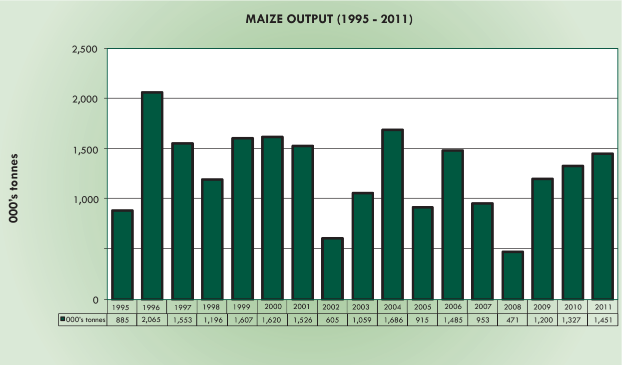
The pending constitution reform process and subsequent general elections are going to have an effect on general business performance as investors and market watchers adopt a wait and see approach. The anticipated economic growth of 9.4% in 2012 for the local economy is mostly hinged on the performance of the mining sector and agriculture. However, should the erratic power supply continue and the international prices of commodities fall the nation may fail to achieve the targeted growth.

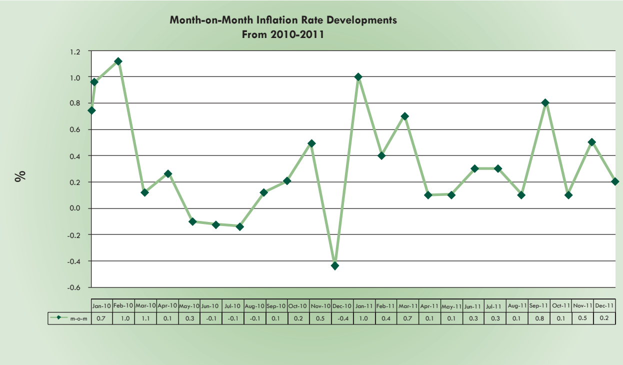
On the international scene, European nations are expected to employ tight fiscal budgeting as they are currently grappling with a huge national debt and that is going to affect inter-trade with the developing nation. However, the Euro crisis is expected to strengthen the international prices of commodities such as platinum, gold and silver with the exception of crude oil which is expected to fall as world economic growth is anticipated to slow down in 2012.

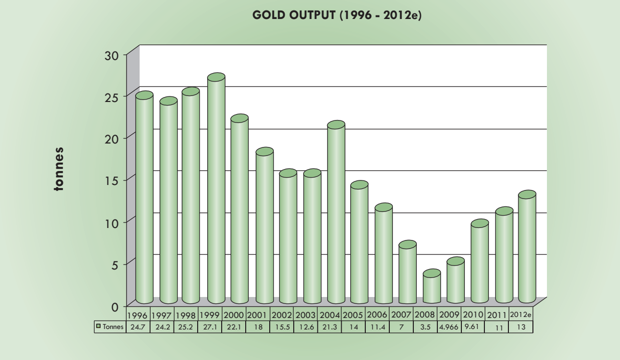
ECONOMIC OVERVIEW

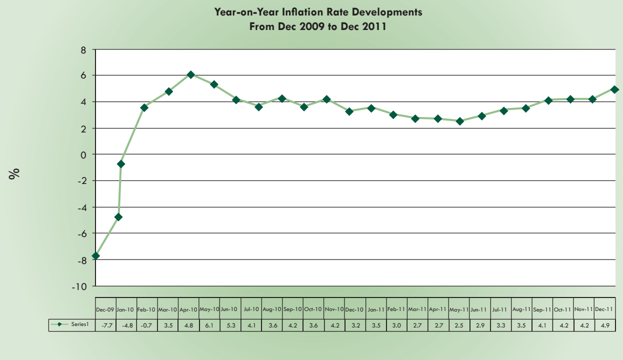


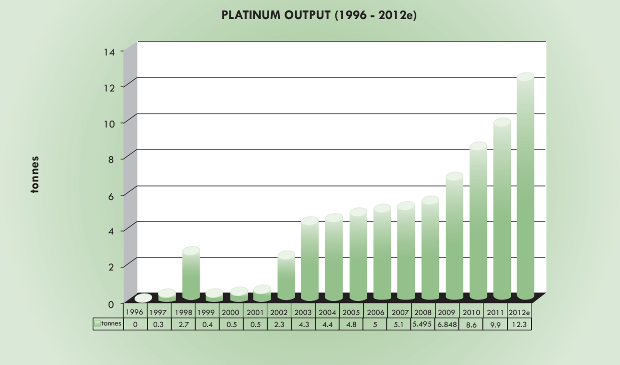


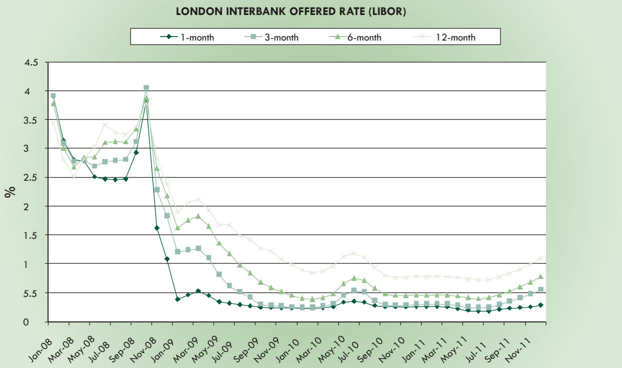




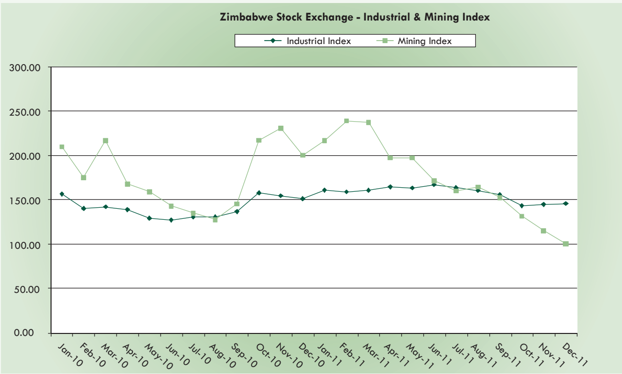


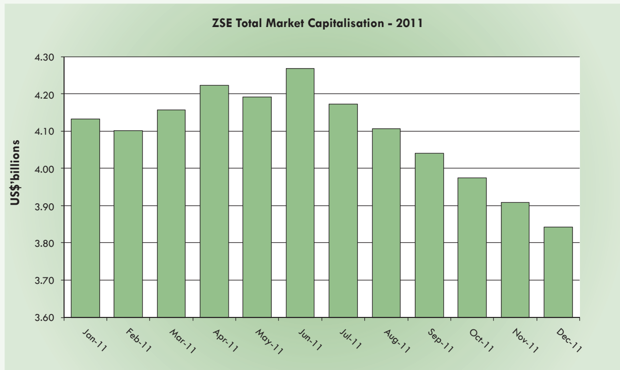


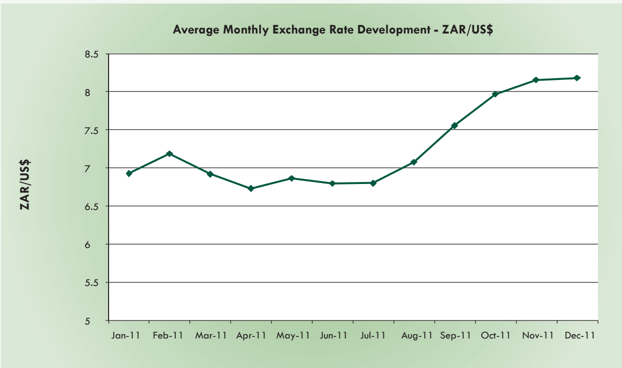




ECONOMIC OVERVIEW







THREE YEAR FINANCIAL REVIEW

	2011 US$	2010 US$	2009 US$
Income Statement			
Total income	83 792 646	52 891 886	33 439 848
Specific and portfolio risk provision	3 115 231	1 045 681	226 217
Net income/(loss) after tax	7 029 667	(2 602 080)	(1 246 339)
Attributable income/(loss)	5 800 788	(1 037 669)	(2 462 430)
Statement of financial position			
Issued share capital	1 751 883	1 751 883	160 000
Shareholders' funds	43 500 904	36 995 420	37 479 321
Total equity	54 456 222	46 017 046	48 224 227
Deposits and other accounts	169 179 024	115 572 635	52 237 609
Life funds liabilities	22 107 616	19 055 243	11 760 556
Cash and short term funds	51 954 400	41 475 536	26 165 703
Advances and other accounts	113 325 568	73 713 559	22 393 910
Risk provisions	4 350 193	1 235 536	226 217
Total assets	272 579 415	198 558 221	125 049 759
Statistics			
Number of shares at year end (net of treasury shares)	160 132 437	165 487 316	175 188 342
Weighted average number of shares	162 809 877	170 337 829	175 188 342
Earnings/(loss) per share (cents)	3.56	(0.61)	(1.41)
Net book asset value per share (cents)	34.01	27.81	27.53
Share price at year end (cents)	20.00	14.00	3.00
Number of employees at year end	1 419	1 315	1 248
Ratios			
Return on average shareholders' funds	14.41%	(2.79%)	(7.21%)
Return on average assets	2.46%	(0.64%)	(2.56%)
Non interest income to total income	23.87%	22.09%	9.08%
operating expenses to total income	82.00%	86.78%	89.77%
Price earnings ratio (times)	6.67	(14)	(1.5)

REPORT OF THE DIRECTORS

For the year ended 31 December 2011

The directors have pleasure in presenting their report to shareholders for the year ended 31 December 2011.

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 year, 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 profit for the year amounting to US$7 029 667 (2010: loss of US$2 602 080), with a profit of US$5 800 788 (2010: loss of US$1 055 669) being attributable to the equity holders of the parent Company. The net increase in equity arising from other comprehensive income amounted to US$1 992 758 (2010: US$1 284 158).

Total assets amounted to US$272 579 415 (2010: US$198 558 221).

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' statement of responsibility

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. The financial statements are prepared in accordance with the International Financial Reporting Standards (IFRS), 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 as well as standard practices within the Zimbabwean financial sector.

The above responsibility includes: designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

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.

REPORT OF THE DIRECTORS
For the year ended 31 December 2011

The financial statements, which appear on pages 42 to 129, were approved by the Board on 31 May 2012.

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 2012. 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

One special resolution was passed during the year to transact the following business:

a) 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 and it set to expire at the 2012 Annual General Meeting.

   The target for the share by-back scheme is yet to be met. Members will be asked to extend the authority for the by-back up to the date of next Annual General Meeting.

Directors

Dr C U Hokonya and Mr T Mafunda were appointed to the Board of Directors after the last Annual General Meeting. In terms of Article 61 of the Company's Articles of Association, they retire at the forth coming meeting and, being elegible, offer themselves for election.

The following director held shares, directly or indirectly, in the Company as at 31 December 2011:

Director's name	**Number of shares held**
E. N. Mushayakarara	13 875

Auditors

Shareholders will be requested to re-appoint Messrs KPMG Chartered Accounts (Zimbabwe) as the Group's auditors and fix their remuneration for the year ended 31 December 2011.

By order of the Board

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

31 May 2012

BOARD OF DIRECTORS

B. P. Nyajeka (Chairman), E.N. Mushayakarara (Group Chief Executive), F. Kapanje (Group Finance Director), E. Hamandishe, T. P. B. Mpofu, E. Munemo, Dr C. U. Hokonya, T. Mafunda

EXTRACT FROM THE REPORT OF THE ACTUARY
For the year ended 31 December 2011

INDEPENDENT ACTUARIES & CONSULTANTS

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 2011

exceeds the amount of the liabilities in respect of those classes of insurance business by US$ 5 989 147.

LE van As FASSA FIA
Actuary of the Insurer
Independent Actuaries & Consultants (Pty) Ltd

21 May 2012

EXTRACT FROM THE REPORT OF THE ACTUARY

For the year ended 31 December 2011

CERTIFICATE OF THE CONSULTING ACTUARY

To the Directors,

ZB LIFE ASSURANCE LIMITED

Actuarial liabilities at 31 December 2011

I certify that the actuarial liabilities of *ZB Life Assurance Limited* at 31 December 2011 were as follows:

Type of Business	US$
Life Assurance Business	6 443 485
Retirement Annuity Pensions: Group Pensions:	
Immediate and Deferred Annuities	15 664 131
Total	22 107 616

LE van As FASSA FIA
Actuary of the Insurer
Independent Actuaries & Consultants (Pty) Ltd

21 May 2012

independent innovation

Cape Town Office (Head Office) 6th Floor, Wale Street Chambers, 38 Wale Street, Cape Town, Tel: +27 21 422 4373, Fax: +27 21 422 4376
Johannesburg Office (Gauteng Office) Unit 2, Grayston 66.02 Norwich Close, Sandown Centre, Sandton, Tel: +27 11 783 4760, Fax: +27 11 783 4778
Website: www.iac.coza

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, K S Lewis
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 2011, 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 42 to 129.

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 other relevant regulations made thereunder; and for such internal controls as the directors determine are 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 financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on 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 controls relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by 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 positions of the Group and Company as at 31 December 2011, and of the Group's 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 relevant regulations made thereunder.

KPMG

KPMG Chartered Accountants (Zimbabwe)
Harare
31 May 2012

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2011

	Notes	31 Dec 2011 US$	31 Dec 2010 US$
ASSETS			
Cash and short term funds	5	51 954 400	41 475 536
Money market investments	6	6 613 975	2 275 326
Advances and other accounts	7	113 325 571	73 713 559
Mortgage advances	7	4 532 193	3 344 592
Investment securities	8	30 828 317	23 454 293
Investments in associates	9.1	2 305 950	1 153 684
Trade and other receivables	10	4 934 835	3 984 274
Deferred tax asset	17.1	661 986	-
Intangible assets	11	8 303 614	4 355 291
Investment properties	12	9 412 049	8 623 999
Property and equipment	13	39 706 525	36 177 667
Total assets		272 579 415	198 558 221
LIABILITIES			
Deposits and other accounts	14	169 179 023	115 572 635
Amounts due to other banks		62 524	2 461
Short term borrowings	15	5 203 433	3 284 510
Trade and other payables	16	16 762 823	10 185 066
Current tax liabilities		1 566 803	277 363
Deferred tax liabilities	17.2	3 240 971	4 163 897
Life assurance funds	18	22 107 616	19 055 243
Total liabilities		218 123 193	152 541 175
EQUITY			
Share capital	19.2	1 751 883	1 751 883
Share premium	19.2	27 337 466	27 927 781
Other components of equity	19.3	12 660 903	10 052 936
Accumulated profit / (loss)	19.4	1 750 652	(2 737 180)
		43 500 904	36 995 420
Non-controlling interests	19.5	10 955 318	9 021 626
Total equity		54 456 222	46 017 046
Total equity and liabilities		272 579 415	198 558 221

For and on behalf of the Board

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

31 May 2012

COMPANY STATEMENT OF FINANCIAL POSITION
As at 31 December 2011

	Notes	31 Dec 2011 US$	31 Dec 2010 US$
ASSETS			
Investment securities	8	4 196 182	3 109 844
Investments in subsidiaries	9.2	47 323 694	37 595 755
Investments in associates	9.1	1 363 486	185 970
Trade and other receivables	10	832 739	607 825
Deferred tax asset	17.1	104 618	-
Total assets		53 820 719	41 499 394
LIABILITIES			
Short term borrowings	15	4 811 916	3 281 237
Trade and other payables	16	4 600 268	890 379
Current tax liabilities		85 934	85 934
Deferred tax liabilities	17.2	-	1 986
Total liabilities		9 498 118	4 259 536
EQUITY			
Issued capital	19.2	1 751 883	1 751 883
Share premium	19.2	27 660 869	27 927 781
Accumulated profit	19.4	14 909 849	7 560 194
Total equity and reserves		44 322 601	37 239 858
Total equity and liabilities		53 820 719	41 499 394

For and on behalf of the Board

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

31 May 2012

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2011

	Notes	2011 US$	2010 US$
Interest income	21.1	28 949 945	17 560 326
Interest expense	21.2	(8 944 578)	(5 878 629)
Net interest income		20 005 367	11 681 697
Gross reinsurance premium income	22	15 918 088	12 885 443
Gross life assurance premium income		6 050 547	4 908 329
Other operating income	23	33 195 149	22 428 704
Fair value adjustments	24	8 623 495	987 713
Total income		83 792 646	52 891 886
Operating expenses	25	(50 775 186)	(33 884 950)
Reinsurance expenses		(13 272 335)	(10 121 638)
Life assurance expenses		(4 662 892)	(1 893 035)
Operating income before risk provisions and taxation		15 082 233	6 992 263
Specific and portfolio provisions	7.4	(3 115 231)	(1 045 681)
Transfer to life assurance funds		(3 052 373)	(7 294 743)
Share of associate companies' profit/(losses) before taxation		54 248	(354 411)
Profit/(loss) before taxation		8 968 877	(1 702 572)
Income tax expense	26	(1 939 210)	(899 508)
Profit/(loss) for the year		7 029 667	(2 602 080)
Profit/(loss) attributable to:			
Owners of parent		5 800 788	(1 055 669)
Non-controlling interest		1 228 879	(1 546 411)
Profit/(loss) for the year		7 029 667	(2 602 080)
Earnings/(loss) per share			
Basic and fully diluted earnings/(loss) per share (dollars)	27	0.03	(0.01)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2011

	Note	2011 US$	2010 US$
Profit/(loss) for the year		7 029 667	(2 602 080)
Other comprehensive income:			
Gains on property revaluation	19.3.2	2 047 238	1 490 715
Share of associate companies' revaluation reserve	19.6	64 488	(160 672)
Income tax relating to components of other comprehensive income	19.6	(118 968)	(45 885)
Other comprehensive income for the year net of tax		1 992 758	1 284 158
Total comprehensive income/(loss) for the year		9 022 425	(1 317 922)
Total comprehensive income/(loss) attributable to:			
Owners of the parent		7 589 609	413 207
Non-controlling interests		1 432 816	(1 731 129)
		9 022 425	(1 317 922)

COMPANY STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2011

	Notes	2011 US$	2010 US$
Interest income	21	443 792	-
Interest expense		-	(394 494)
Net interest income		443 792	(394 494)
Other operating income	23	5 236 803	1 364 916
Fair value adjustments	24	8 225 601	51 830
Total income		13 906 196	1 022 252
Operating expenses	25	(6 663 145)	(276 805)
Profit before taxation		7 243 051	745 447
Income tax credit/(expense)	26	106 604	(85 694)
Profit for the year		7 349 655	659 753
Other comprehensive income		-	-
Total comprehensive income for the year		7 349 655	659 753

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2011

	Ordinary shares US$	Share premium US$	General reserve US$	Properties revaluation reserve US$	Functional currency translation reserve US$	Retained income US$	Attributable to equity holders of parent US$	Non-controlling interests US$	Total US$
Balance at 1 January 2010	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
Changes in equity for 2011:									
Issue of share capital	-	-	-	-	-	-	-	7 066	7 066
Treasury shares	-	(590 315)	-	-	-	-	(590 315)	-	(590 315)
Total comprehensive income for the year	-	-	-	1 788 821	-	5 800 788	7 589 609	1 432 816	9 022 425
Regulatory reserve in respect of doubtful debts	-	-	283 685	-	-	(312 956)	(29 271)	29 271	-
Transfer from retained income	-	-	535 461	-	-	(1 000 000)	(464 539)	464 539	-
Balance at 31 December 2011	1 751 883	27 337 466	1 664 867	10 996 036	-	1 750 652	43 500 904	10 955 318	54 456 222

COMPANY STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2011

	Ordinary shares US$	Share premium US$	Functional currency conversion reserve US$	Retained income US$	Total US$
Balance at 1 January 2010	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
Changes in equity for 2011:					
Treasury shares	-	(266 912)	-	-	(266 912)
Total comprehensive income for the year	-	-	-	7 349 655	7 349 655
Balance at 31 December 2011	1 751 883	27 660 869	-	14 909 849	44 322 601

CONSOLIDATED STATEMENT OF CASH FLOWS
For the year ended 31 December 2011

	Note	31 Dec 2011 US$	31 Dec 2010 US$
Cash flows from operating activities	28	22 296 057	19 435 684
Income taxes paid		(2 297 880)	(546 141)
Net cash generated from operating activities		19 998 177	18 889 543
Cash flows used in investing activities			
Purchase of investment properties		(205 091)	(4 105)
Purchase of intangible assets		(4 707 138)	(1 947 761)
Purchase of property and equipment		(3 225 693)	(1 081 974)
Proceeds on disposal of property and equipment		45 028	100 365
Purchase of investment securities		(2 157 065)	(671 789)
Proceeds on disposal of investment securities		2 301 895	954 813
Acquisition of investment in associate		(988 000)	(40 000)
Net cash used in investing activities		(8 936 064)	(2 690 451)
Cash flows used in financing activities			
Purchase of treasury shares		(590 315)	(895 842)
Proceeds on issue of capital		7 066	6 583
Net cash used in financing activities		(583 249)	(889 259)
Net increase in cash and short term funds		10 478 864	15 309 833
Cash and short term funds at beginning of year		41 475 536	26 165 703
Cash and short term funds at end of year		51 954 400	41 475 536
Cash and short term funds comprise:			
Cash		23 099 509	17 564 380
Local bank accounts		21 430 106	17 468 342
Foreign bank accounts		7 424 785	6 442 814
		51 954 400	41 475 536

COMPANY STATEMENT OF CASH FLOWS

For the year ended 31 December 2011

	31 Dec 2011 US$	31 Dec 2010 US$
Cash flows from operating activities		
Income before taxation	7 243 051	745 447
Adjustments for:		
Fair value adjustments	(8 225 601)	(51 830)
Increase in other assets	(224 915)	(596 320)
Increase in other liabilities	3 709 889	648 091
Net cash generated from operating activities	2 502 424	745 388
Cash flows used in investing activities		
Purchase of investment securities	(966 379)	(3 100 000)
Acquisition of investment in associate	(1 177 516)	(40 000)
Acquisition of subsidiary	(1 622 297)	(575 425)
Net cash used in investing activities	(3 766 192)	(3 715 425)
Cash flows used in financing activities		
Purchase of treasury shares	(266 911)	(311 200)
Net increase in cash and short term funds	(1 530 679)	(3 281 237)
Cash and short term funds at beginning of year	(3 281 237)	-
Cash and short term funds at end of year	(4 811 916)	(3 281 237)
Cash and short term funds comprise:		
Short term borrowings	(4 811 916)	(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 Application of new and revised International Financial Reporting Standards (IFRSs)

2.1.1 *New and revised IFRSs affecting amounts reported in the current year (and/or prior years)*

The following new and revised IFRSs have been applied in the current year and have affected the amounts reported in these financial statements. Details of other new and revised IFRSs applied in these financial statements that have had no material effect on the financial statements are set out in section 2.1.2.

New and revised IFRSs affecting presentation and disclosure only

Amendments to IAS 1 *Financial Statements Presentation* (*as part* of other comprehensive income by item in the statement of analysis of other *Improvements to IFRSs*) issued in 2010	The amendments to IAS 1 clarify that an entity may choose to disclose an analysis of other comprehensive income by item in the statement of changes in equity or in the notes to the financial statements. In the current year, for each component of equity, the Group has chosen to present such an analysis in the notes to the consolidated financial statements, with a single-line presentation of other comprehensive income in the consolidated statement of changes in equity. This approach was also applied in 2010 and therefore there are no changes to the disclosures made in the prior year (see the consolidated statement of changes in equity, 19.3, 19.4, 19.5 and 19.6).
IAS 24 *Related Party Disclosures (as revised in 2009)*	IAS 24 (as revised in 2009) has been revised on the following two aspects: (a) Changed the definition of a related party and (b) Introduced a partial exemption from the disclosure requirements for government-related entities. The application of the revised definition of related party set out in IAS 24 (as revised in 2009) in the current year has resulted in the identification of related parties that were not identified as related parties under the previous Standard. Specifically, associates of the ultimate holding company of the Company are treated as related parties of the Group under the revised Standard whilst such entities were not treated as related parties of the Group under the previous Standard. The related party disclosures set out in note 30 to the consolidated financial statements have been changed to reflect the application of the revised Standard. Changes have been applied retrospectively.

2.1.1 New and revised IFRSs affecting amounts reported in the current year (and/or prior years) (continued)

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

Amendments to IFRS 3 *Business Combinations*	As part of *Improvements to IFRSs* issued in 2010, IFRS 3 was amended to clarify that the measurement choice regarding non-controlling interests at the date of acquisition is only available in respect of non-controlling interests that are present ownership interests and that entitle their holders to a proportionate share of the entity's net assets in the event of liquidation. All other types of non-controlling interests are measured at their acquisition-date fair value, unless another measurement basis is required by other Standards. In addition, IFRS 3 was amended to provide more guidance regarding the accounting for share-based payment awards held by the acquiree's employees. Specifically, the amendments specify that share-based payment transactions of the acquiree that are not replaced should be measured in accordance with IFRS 2 *Share-based Payment* at the acquisition date ('market-based measure'). The provisions of the amendment have been considered in accounting for the increase in the investment in associate companies indicated per note 9.1. There were no active share-based payments at the time of investment and therefore application of IFRS 2 *Share-based Payment* does not apply.

New and revised IFRSs not yet effective but early adopted by the Group

New standard	Effective date	Major requirements
Amendments to IAS 12 *Deferred Tax – Recovery of Underlying Assets*	1 Jan 2012	The amendments to IAS 12 provide an exception to the general principles in IAS 12 that the measurement of deferred tax assets and deferred tax liabilities should reflect the tax consequences that would follow from the manner in which the entity expects to recover the carrying amount of an asset. Specifically, under the amendments, investment properties that are measured using the fair value model in accordance with IAS 40 Investment Property are presumed to be recovered through sale for the purposes of measuring deferred taxes, unless the presumption is rebutted in certain circumstances.

2.1.1 New and revised IFRSs affecting amounts reported in the current year (and/or prior years) (continued)

New and revised IFRSs not yet effective but early adopted by the Group (continued)

New standard	Effective date	Major requirements
Amendments to IAS 12 *Deferred Tax – Recovery of Underlying Assets*	1 Jan 2012	The Group had early adopted this amendment in 2010 and the deferred taxation effect on investment properties is accounted for at the rate applicable upon disposal of the assets and included in note 17.

2.1.2 New and revised IFRSs applied with no material effect on the consolidated financial statements

The following new and revised IFRSs have also been adopted in these consolidated financial statements. The application of these new and revised IFRSs has not had any material impact on the amounts reported for the current and prior years but may affect the accounting for future transactions or arrangements.

Amendments to IAS 32
Classification of Rights Issues

The amendments address the classification of certain rights issues denominated in a foreign currency as either equity instruments or as financial liabilities. Under the amendments, rights, options or warrants issued by an entity for the holders to acquire a fixed number of the entity's equity instruments for a fixed amount of any currency are classified as equity instruments in the financial statements of the entity provided that the offer is made pro rata to all of its existing owners of the same class of its non-derivative equity instruments.

Before the amendments to IAS 32, rights, options or warrants to acquire a fixed number of an entity's equity instruments for a fixed amount in foreign currency were classified as derivatives.

The amendments require retrospective application. The application of the amendments has had no effect on the amounts reported in the current and prior years because the Group has not issued instruments of this nature.

2.1.2 New and revised IFRSs applied with no material effect on the consolidated financial statements (continued)

Amendments to IFRIC 14 Prepayments of a Minimum Funding Requirement	IFRIC 14 addresses when refunds or reductions in future contributions should be regarded as available in accordance with paragraph 58 of IAS 19; how minimum funding requirements might affect the availability of reductions in future contributions; and when minimum funding requirements might give rise to a liability. The amendments now allow recognition of an asset in the form of prepaid minimum funding contributions. The application of the amendments has not had material effect on the Group's consolidated financial statements.
IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments	The Interpretation provides guidance on the accounting for the extinguishment of a financial liability by the issue of equity instruments. Specifically, under IFRIC 19, equity instruments issued under such arrangement will be measured at their fair value, and any difference between the carrying amount of the financial liability extinguished and the consideration paid will be recognised in profit or loss.
IFRIC 19 Extinguishing *Financial Liabilities with Equity Instruments (continued)*	The application of IFRIC 19 has had no effect on the amounts reported in the current and prior years because the Group has not entered into any transactions of this nature.
Improvements to IFRSs issued in 2010	Except for the amendments to IFRS 3 and IAS 1 described earlier in section 2.1.1, the application of *Improvements* to IFRSs issued in 2010 has not had any material effect on amounts reported in the consolidated financial statements.

2.1.3 *New and revised IFRSs in issue but not yet effective*

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

New standard	Effective date	Major requirements
Amendments to IFRS 7 Disclosures – *Transfers of Financial Assets*	1 Jul 2011	The amendments to IFRS 7 increase the disclosure requirements for transactions involving transfers of financial assets. These amendments are intended to provide greater transparency around risk exposures 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.
IFRS 9 *Financial Instruments*	1 Jan 2015	IFRS 9 issued in November 2009 introduces new requirements for the classification and measurement of financial assets. IFRS 9 amended in October 2010 includes the requirements for the classification and measurement of financial liabilities and for derecognition. Key requirements of IFRS 9 are described as follows: • IFRS 9 requires all recognised financial assets that are within the scope of IAS 39 *Financial Instruments: Recognition and Measurement* to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent accounting periods.

2.1.3 *New and revised IFRSs in issue but not yet effective (continued)*

New standard	Effective date	Major requirements
IFRS 9 *Financial Instruments (continued)*	1 Jan 2015	• The most significant effect of IFRS 9 regarding the classification and measurement of financial liabilities relates to the accounting for changes in the fair value of a financial liability (designated as at fair value through profit or loss) attributable to changes in the credit risk of that liability. Specifically, under IFRS 9, for financial liabilities that are designated as at fair value through profit or loss, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Previously, under IAS 39, the entire amount of the change in the fair value of the financial liability designated as at fair value through profit or loss was presented in profit or loss. IFRS 9 is effective for annual periods beginning on or after 1 January 2015, with earlier application permitted. The directors anticipate that the application of IFRS 9 may have significant impact on amounts reported in respect of the Group's financial assets and financial liabilities. However, it is not practicable to provide a reasonable estimate of that effect until a detailed review has been completed.
IFRS 10 *Consolidated Financial Statements*	1 Jan 2013	IFRS 10 replaces the parts of IAS 27 *Consolidated and Separate Financial Statements* that deal with consolidated financial statements and SIC-12 *Consolidation – Special Purpose Entities*. Under IFRS 10, there is only one basis for consolidation, that is, control. In addition, IFRS 10 includes a new definition of control that contains three elements: (a) power over an investee, (b) exposure, or rights, to variable returns from its involvement with the investee, and (c) the ability to use its power over the investee to affect the amount of the investor's returns.

2.1.3 *New and revised IFRSs in issue but not yet effective (continued)*

New standard	Effective date	Major requirements
IFRS 10 *Consolidated Financial Statements (continued)*	1 Jan 2013	Extensive guidance has been added in IFRS 10 to deal with complex scenarios. The adoption of IFRS 10 will not have a significant impact on the Group's Financial Statements.
IFRS 11 *Joint Arrangements*	1 Jan 2013	IFRS 11 replaces IAS 31 *Interests in Joint Ventures* and SIC-13 *Jointly Controlled Entities – Non-monetary Contributions by Venturers*. IFRS 11 deals with how a joint arrangement of which two or more parties have joint control should be classified. Under IFRS 11, joint arrangements are classified as joint operations or joint ventures, depending on the rights and obligations of the parties to the arrangements. In contrast, under IAS 31, there are three types of joint arrangements: jointly controlled entities, jointly controlled assets and jointly controlled operations. In addition, joint ventures under IFRS 11 are required to be accounted for using the equity method of accounting, whereas jointly controlled entities under IAS 31 can be accounted for using the equity method of accounting or proportionate accounting. The adoption of IFRS 11 will not have a significant impact on the Group's Financial Statements.
IFRS 12 *Disclosure of Interests in Other Entities*	1 Jan 2013	IFRS 12 is a disclosure standard and is applicable to entities that have interests in subsidiaries, joint arrangements, associates and/or unconsolidated structured entities. In general, the disclosure requirements in IFRS 12 are more extensive than those in the current standards. The adoption of IFRS 12 will not have a significant impact on the Group's Financial Statements.

2.1.3 *New and revised IFRSs in issue but not yet effective (continued)*

New standard	Effective date	Major requirements
IFRS 13 *Fair Value Measurement*	1 Jan 2013	IFRS 13 establishes a single source of guidance for fair value measurements and disclosures about fair value measurements. The Standard defines fair value, establishes a framework for measuring fair value, and requires disclosures about fair value measurements. The scope of IFRS 13 is broad; it applies to both financial instrument items and non-financial instrument items for which other IFRSs require or permit fair value measurements and disclosures about fair value measurements, except in specified circumstances. In general, the disclosure requirements in IFRS 13 are more extensive than those required in the current standards. For example, quantitative and qualitative disclosures based on the three-level fair value hierarchy currently required for financial instruments only under IFRS 7 *Financial Instruments: Disclosures* will be extended by IFRS 13 to cover all assets and liabilities within its scope. IFRS 13 is effective for annual periods beginning on or after 1 January 2013, with earlier application permitted. The directors anticipate that IFRS 13 will be adopted in the Group's consolidated financial statements for the annual period beginning 1 January 2013 and that the application of the new Standard may affect the amounts reported in the financial statements and result in more extensive disclosures in the financial statements.
Amendments to IAS 1 *Presentation of Items of Other Comprehensive Income*	1 Jul 2012	The amendments to IAS 1 retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements. However, the amendments to IAS 1 require additional disclosures to be made in the other comprehensive income section such that items of other comprehensive income are grouped into two categories: (a) items that will not be reclassified subsequently to profit or loss; and (b) items that will be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis.

2.1.3 *New and revised IFRSs in issue but not yet effective (continued)*

New standard	Effective date	Major requirements
Amendments to IAS 1 *Presentation of Items of Other Comprehensive Income (continued)*	1 Jul 2012	The amendments to IAS 1 are effective for annual periods beginning on or after 1 July 2012. The presentation of items of other comprehensive income will be modified accordingly when the amendments are applied in the future accounting periods.
IAS 19 (as revised in 2011) *Employee Benefits*	1 Jan 2013	The amendments to IAS 19 change the accounting for defined benefit plans and termination benefits. The most significant change relates to the accounting for changes in defined benefit obligations and plan assets. The amendments require the recognition of changes in defined benefit obligations and in fair value of plan assets when they occur, and hence eliminate the 'corridor approach' permitted under the previous version of IAS 19 and accelerate the recognition of past service costs. The amendments require all actuarial gains and losses to be recognised immediately through other comprehensive income in order for the net pension asset or liability recognised in the consolidated statement of financial position to reflect the full value of the plan deficit or surplus. The amendments to IAS 19 are effective for annual periods beginning on or after 1 January 2013 and require retrospective application with certain exceptions. The directors anticipate that the amendments to IAS 19 will be adopted in the Group's consolidated financial statements for the annual period beginning 1 January 2013 and that the application of the amendments to IAS 19 will not have an impact on amounts reported in respect of the Groups' financial statement as currently all pension schemes are on a defined contribution plan.

2.1.3 *New and revised IFRSs in issue but not yet effective (continued)*

New standard	Effective date	Major requirements
IAS 27 (as revised in 2011) *Separate Financial Statements*	1 Jan 2013	IAS 27 (2011) supersedes IAS 27 (2008). IAS 27 (2011) carries forward the existing accounting and disclosure requirements for separate statements, with some minor clarifications. The adoption of IAS 27 (2011) will not have a significant impact on the Company's separate financial statements.
IAS 28 (as revised in 2011) *Investments in Associates and Joint Ventures*	1 Jan 2013	IAS 28 (2011) supersedes IAS 28 (2008) and carries forward the existing accounting and disclosure requirements with limited amendments. These include: • IFRS 5 is applicable to an investment, or a portion of an investment, in an associate or a joint venture that meets the criteria to be classified as held-for-sale; and • On cessation of significant influence or joint control, even if an investment in an associate becomes an investment in a joint venture or vice versa, the company does not re-measure the retained interest.

2.2 Critical accounting judgements and key sources of estimation uncertainty

2.2.1 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).

2.2.2 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:

2.2.2.1 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.

2.2.2.2 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.

2.2.2.3 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.

2.2.2.4 Valuation of property and equipment and investment properties

In the current year properties were revalued at 31 December 2011 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.

2.2.2.4 Valuation of property and equipment and investment properties (continued)

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.

2.2.2.5 Useful lives and residual values of property and equipment

As indicated in note 3.9, 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.

The maximum useful lives were determined as follows:

Freehold properties	33 years
Motor vehicles	4 years
Office 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.

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

In terms of accounting policy 3.22.1, 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$947 397 (2010: US$892 592).

2.2.2.7 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.

2.2.2.7 Valuation of the life fund (continued)

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	**2011**	**2010**
Valuation discount rates (taxed)	8%	8%
Valuation discount rates (untaxed)	8%	10%
Expense inflation	4.5%	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 2011 is made up as follows:

	31 Dec 2011 US$	31 Dec 2010 US$
Value of total liability	16 118 470	13 626 600
Distribution of surplus in the fund	5 989 146	5 428 643
	22 107 616	19 055 243

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

In 2011, an expense overrun reserve of US$6 183 400 (2010:(US$5 649 206)) was determined by the actuary. This arose from the fact that:

- Income from new business during 2011 and 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 2011 and 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.

The movement in the life assurance funds is accounted for through profit and loss.

2.2.2.8 Portfolio provision

The portfolio provision relates to the inherent risk of losses, which although not separately identified, are known to be present in any 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$279 108 (2010: US$233 553).

2.2.2.9 Loan establishment fees

In terms of the accounting policy 3.4.3, the Group recognizes fee and commission income as 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 account 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$1 142 918 (2010: 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 (US$) 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 measured at fair value. The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs), as issued by the International Accounting Standards Board (IASB).

The consolidated financial statements were authorised for issue by the Board of directors on 31 May 2012.

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 or 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's interest in the subsidiary's equity are allocated against the interests of the Group, except to the extent that the minority has a binding obligation and is able to make an additional investment to cover the costs.

3.2.1 Goodwill

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

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

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 Net interest income

3.4.1.1 Interest income

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

The Group recognises interest income in profit or loss using the effective interest method. 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.

3.4.1.2 Interest expense

Interest expense arises from the Group's funding and money market activities. The Group recognises interest expense in profit or loss using the effective interest method.

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

Fees and commission income that are an integral part to the effective rate on a financial asset are included in the measurement of the effective interst rate. Other fees and commission income, including account service fees, are recognised as the related services are performed. 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.

3.4.4 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 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.

3.5.1.1 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 Financial assets at amortised cost

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 at amortised cost investments. These investments are recorded at amortised cost using the effective interest rate method less any impairment, with revenue recognised on an effective yield basis.

3.5.1.4 At fair value through other comprehensive income (FVTOCI)

Unlisted shares and redeemable notes held by the Group that are traded in an active market are classified as FVTOCI 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 other comprehensive income 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.

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.

3.5.1.6 Impairment of financial assets (continued)

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 other comprehensive income.

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.

3.5.2 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'.

3.5.2.6 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.

3.5.2.6 Financial liabilities at FVTPL (continued)

- 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.

3.5.2.8 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; and
- 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:

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 Group considers relevant and observable market prices in its valuations where possible.

3.5.4 Fair values of financial instruments (continued)

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	28 578 246	-	2 250 071	30 828 317

The Company had no other financial assets and liabilities that were carried at fair value, as at 31 December 2011.

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.

3.9 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.

3.9 Property and equipment (continued)

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.

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.

3.10 Foreign currency transactions (continued)

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.

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.

3.14.2 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 3.23).

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 Group 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:

	31 Dec 2011 US$	31 Dec 2010 US$
No later than 1 year	267 475	135 543
Later than 1 year and no later than 5 years	1 114 766	909 952

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.

3.16 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.

3.18 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.

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

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.

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.

3.22.3 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 script management services, and a wide array of card-based facilities. The segment comprises the commercial banking operations and the building society operations.

b) Fund management

This segment provides fund management services to a wide array of investors through placement of either pooled portfolios or individual portfolios structured in terms of 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

4.1 Segment results

	Banking US$	Fund management US$	Reinsurance and life assurance US$	Other operations including consolidation journals US$	Consolidated US$
31 December 2011					
Total income	49 871 867	769 331	29 708 188	3 443 260	83 792 646
Net income/(loss) contribution	10 976 425	(350 370)	3 565 785	(5 222 963)	8 968 877
Income tax credit/(expense)	(1 810 979)	178 602	(743 698)	436 865	(1 939 210)
Profit/(loss) for the year	9 165 446	(171 768)	2 822 087	(4 786 098)	7 029 667
Attributed to:					
Non-controlling interest	1 015 094	-	449 537	(235 752)	1 228 879
Owners of the parent	8 150 352	(171 768)	2 372 550	(4 550 346)	5 800 788
	9 165 446	(171 768)	2 822 087	(4 786 098)	7 029 667

4. SEGMENT INFORMATION (continued)

4.1 Segment results (continued)

	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)/credit	(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)

4. SEGMENT INFORMATION (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 2011					
Operating assets	200 500 512	2 426 669	31 578 870	(11 064 210)	223 460 841
Property and equipment	38 493 058	53 893	869 007	290 567	39 706 525
Investment properties	4 856 500	395 000	3 660 549	500 000	9 412 049
Total assets	243 869 070	2 875 562	36 108 426	(10 273 643)	272 579 415
Segment liabilities	188 665 804	817 217	26 180 910	(2 348 512)	213 315 419
Shareholders' funds	51 529 788	2 057 900	8 945 504	(8 076 970)	54 456 222
Current tax liabilities	1 417 973	-	45 478	103 352	1 566 803
Deferred tax liabilities	2 255 505	445	936 534	48 487	3 240 971
Total equity and liabilities	243 869 070	2 875 562	36 108 426	(10 273 643)	272 579 415

4. SEGMENT INFORMATION (continued)

4.2 Segment assets and liabilities (continued)

	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	22 278 066	(4 596 823)	148 099 915
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	-	548 425	78 602	4 163 897
Total equity and liabilities	174 606 562	702 134	28 826 140	(5 576 615)	198 558 221

		31 Dec 2011 US$	31 Dec 2010 US$
5.	**CASH AND SHORT TERM FUNDS**		
5.1	Balances with the Reserve Bank of Zimbabwe	13 684 304	16 026 500
5.2	Balance with other banks and cash:-		
	Current, nostro accounts and cash	38 270 096	25 449 036
	Total cash and short term funds	51 954 400	41 475 536
6.	**MONEY MARKET INVESTMENTS**		
	Assets classified as "at amortised cost":		
	Fixed deposits	6 613 975	2 275 326
7.	**ADVANCES AND OTHER ACCOUNTS**		
	Loans, overdraft and other accounts	110 456 864	71 286 081
	Balances receivable from insurance companies	2 868 707	2 427 478
		113 325 571	73 713 559
	Mortgage advances	4 532 193	3 344 592
		117 857 764	77 058 151
7.1	**Maturity analysis**		
	On demand	22 297 995	9 654 902
	Within 1 month	17 938 711	63 304 218
	Between 1 and 6 months	56 064 912	754 439
	Between 6 and 12 months	17 023 953	-
	After 12 months	4 532 193	3 344 592
		117 857 764	77 058 151
7.2	**Non-performing loans**		
	Included in the above are the following;		
	Non-performing loans	9 016 315	4 055 751
	Less: Specific and portfolio provisions	(4 350 767)	(1 235 536)
	Less: Interest reserved	(3 453 129)	(1 328 617)
	Value to be received from security held	1 212 419	1 491 598

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$5 805 628 as at 31 December 2011 (2010: US$3 501 550).

		31 Dec 2011 US$	31 Dec 2010 US$
7.3	**Sectoral analysis**		
	Private	20 000 086	10 115 181
	Agriculture	19 140 200	11 351 102
	Mining	11 793 386	25 336 781
	Manufacturing	40 763 203	15 863 955
	Distribution	11 407 309	1 669 292
	Construction	1 027 653	596 659
	Transport	107 715	1 150
	Services	11 921 979	11 206 049
	Financial	4 425 785	-
	Other	5 074 344	3 482 135
		125 661 660	79 622 304
	Less: Specific and portfolio provisions	(4 350 767)	(1 235 536)
	Less: Interest reserved	(3 453 129)	(1 328 617)
		117 857 764	77 058 151
7.4	**Specific and portfolio provisions**		
	Balance at beginning of year	1 235 536	226 217
	Charge to the income statement	3 115 231	1 045 681
	Write offs charged against provision	-	(36 362)
	Balance at end of year	4 350 767	1 235 536

The above provisions have been established in terms of the accounting policy 3.5.1.6 in respect of doubtful debts at 31 December 2011.

		COMPANY		GROUP	
		31 Dec 2011	31 Dec 2010	31 Dec 2011	31 Dec 2010
		US$	US$	US$	US$
8.	**INVESTMENT SECURITIES**				
	Assets classified as *"fair value-through profit and loss"*:				
	Listed equity investments	599 799	9 844	23 045 329	15 580 097
	Unlisted equity investments	-	-	2 250 071	2 340 745
	Agrobills	3 596 383	3 100 000	-	-
	At "amortised cost"	4 196 182	3 109 844	25 295 400	17 920 842
	Bank balances	-	-	5 532 917	5 533 451
		4 196 182	3 109 844	30 828 317	23 454 293
	Movement of investment securities				
	Balance at beginning of year	3 109 844	10 753	23 454 293	22 998 537
	Additions during the year:	966 379	3 100 000	2 157 065	671 789
	- on listed equity investments	469 996	-	1 289 802	671 789
	- on unlisted equity investments	-	-	5 263	-
	- on units in unit trusts	-	-	862 000	-
	- on agrobills	496 383	3 100 000	-	-
	Disposals				
	- on listed equities	-	-	(2 348 854)	(948 853)
	Fair value adjustments	119 959	(909)	7 566 345	656 594
	- on listed equities	119 959	(909)	7 377 908	172 269
	- on unlisted equities	-	-	311 744	484 325
	- on units in unit trusts	-	-	(123 307)	-
	Exchange gain/(loss) on bank balances	-	-	(532)	76 226
	Balance at end of year	4 196 182	3 109 844	30 828 317	23 454 293
9.	**GROUP INVESTMENTS**				
9.1	**Investments in associates**				
	Balance at beginning of year	185 970	234 182	1 153 684	1 628 767
	Acquisition of shares through rights issue	988 000	40 000	988 000	40 000
	Conversion of debt to equity in Alexander Forbes (Pvt) Ltd.	189 516	-	101 302	-
	Share of current year movement in revaluation reserves	-	-	47 882	(160 672)
	Share of current year profits/(losses)	-	(88 212)	15 082	(354 411)
	Balance at end of year	1 363 486	185 970	2 305 950	1 153 684

9.1 Investments in associates (continued)

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

Name of Company	2011 % Holding	2010 % Holding	Nature of Business
Alexander Forbes (Private) Limited	40%	40%	Insurance broking
Cell Holdings (Private) Limited	43.46%	36.53%	Short-term insurance
Credit Insurance Zimbabwe Limited	42.1%	42.1%	Short-term insurance
Zimswitch Technologies (Private) Limited	27.68%	27.68%	Information Technology

There was a recapitalization at Cell Holdings (Private) Limited by way of rights issued during the year.

	31 Dec 2011 US$	31 Dec 2010 US$
Aggregated amounts relating to associate companies:		
Total assets	7 307 710	7 715 310
Total liabilities	1 735 077	4 831 102
Revenue	5 897 698	2 722 187
Profit/(loss)	1 035 858	(1 113 764)
Share of profit/(loss) after tax	15 082	(354 411)
9.2 Investments in subsidiaries		
Owned by ZB Financial Holdings Limited:-		
ZB Bank Limited - 100%	34 206 131	25 745 820
Scotfin Limited - 100%	306 500	306 500
ZB Holdings Limited - 100%	965 587	1 216 587
Intermarket Holdings Limited - 84.26%	11 165 389	10 307 151
ZB Securities (Private) Limited - 100%	842 529	175 741
ZB Transfer Secretaries – 100%	209 792	134 012
ZB Associated Services - 100%	(372 234)	(290 056)
Total investments in subsidiaries	47 323 694	37 595 755

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:

9.2 Investments in subsidiaries (continued)

	2011 % Holding	2010 % Holding	Nature of Business
Owned by ZB Bank Limited:			
The Trustee Company of Central Africa (Private) Limited	100%	100%	Investment
ZB Nominees (Private) Limited	100%	100%	Investment
Syfrets Nominees (Private) Limited	100%	100%	Investment
Barcelona Investments Limited	100%	100%	Property
Owned by ZB Holdings Limited			
ZB Capital (Private) Limited	100%	100%	Venture capital
Data Centre (Private) Limited	100%	100%	Information processing
ZB Asset Management Company Limited	100%	100%	Funds management
Syfrets Trust and Executor Limited	100%	100%	Estates and trusts administration
Syfin Holdings Limited	100%	100%	Investment
Syfrets Corporate Trustee Company (Private) Limited	100%	100%	Investment
Owned by Intermarket Holdings Limited:			
ZB Reinsurance Limited	100%	100%	Reinsurance
First Mortgage Investments (Private) Limited	100%	100%	Dormant
Intermarket Banking Corporation Limited	96%	96%	Commercial bank
ZB Stockbrokers (Private) Limited (in liquidation)	75%	75%	Dormant
ZB Life Assurance Limited	64%	64%	Life assurance
ZB Building Society	59%	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.

	COMPANY		GROUP	
	31 Dec 2011	31 Dec 2010	31 Dec 2011	31 Dec 2010
	US$	US$	US$	US$
10. TRADE AND OTHER RECEIVABLES				
Accrued interest	-	-	68 436	26 424
Inventories	-	-	2 153 756	945 393
Items in transit	-	-	416 936	70 578
Prepayments	-	-	642 675	226 516
Sundry receivables	832 739	607 825	1 653 032	2 715 363
	832 739	607 825	4 934 835	3 984 274

	31 Dec 2011	31 Dec 2010
	US$	US$
11. INTANGIBLE ASSETS		
Computer software		
Carrying amount at beginning of year	4 355 291	2 802 863
Additions at cost	4 707 138	1 947 761
Amortisation	(758 815)	(380 643)
Impairment	-	(14 690)
Balance at end of year	8 303 614	4 355 291
12. INVESTMENT PROPERTIES		
Carrying amount at beginning of year	8 623 999	8 288 775
Additions	205 091	4 105
Fair value adjustment	1 057 150	331 119
Reclassification to property and equipment	(474 191)	-
Balance at end of year	9 412 049	8 623 999

The fair value of the Group's investment properties as at 31 December, 2011 has been arrived at on the basis of valuations carried out by independent professional valuers, BARD Real Estate (Private) Limited. The valuation which conforms to International Valuation Standards, was in terms of accounting policy 3.21 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$8.00 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.

Non of the investment property is mortgaged as security for liabilities.

Rental income generated from investment properties amounted to US$666 565. Repairs and maintenance costs of investment properties that generated investment income amount to US$118 400.

	Freehold properties US$	leasehold improvements US$	Equipment Furniture & fittings US$	Computer equipment US$	Motor vehicles & mobile agencies US$	Total US$
13. PROPERTY AND EQUIPMENT						
Cost on valuation						
Balance at 1 January 2011	28 114 113	1 615 580	3 900 950	2 241 842	4 286 004	40 158 489
Surplus on revaluation	2 047 238	-	-	-	-	2 047 238
Additions	108 795	926 130	446 246	1 265 490	479 032	3 225 693
Disposals	-	-	(57 528)	(31 755)	(84 052)	(173 335)
Reclassification from Investment Properties	474 191	-	-	-	-	474 191
Balance at 31 December 2011	30 744 337	2 541 710	4 289 668	3 475 577	4 680 984	45 732 276
Accumulated depreciation						
Balance at the beginning of the year	279 263	595 292	463 834	1 052 209	1 590 224	3 980 822
Charge to income statement	173 474	260 229	375 251	584 061	770 718	2 163 733
Disposals	-	-	(22 366)	(30 394)	(66 044)	(118 804)
Balance at the 31 December 2011	452 737	855 521	816 719	1 605 876	2 294 898	6 025 751
Net book value at 31 December 2011	30 291 600	1 686 189	3 472 949	1 869 701	2 386 086	39 706 525
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

	Freehold properties US$	leasehold improvements US$	Equipment Furniture & fittings US$	Computer equipment US$	Motor vehicles & mobile agencies US$	Total US$
13. PROPERTY AND EQUIPMENT						
Cost or valuation						
Balance at 1 January 2010	26 193 398	1 611 441	3 689 200	1 901 277	4 274 384	37 669 700
Surplus on revaluation	1 620 715	-	-	-	(130 000)	1 490 715
Additions	300 000	4 139	249 830	347 385	180 620	1 081 974
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						
Balance at beginning of year	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 the 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
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

Immovable properties were revalued as at 31 December 2011 on the basis of valuations carried out by independent and professional valuers, BARD Real Estate (Private Limited), and in terms of accounting policy 3.9. 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 valuation of property was arrived at by applying yield rates of between 8.5% - 10% on rental levels of between US$5.50 – US$8.00 per square metre.

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

		31 Dec 2011 US$	31 Dec 2010 US$
14.	**DEPOSITS AND OTHER ACCOUNTS**		
14.1	**Summary of deposits by type**		
	Balances of banks	11 180 642	8 592 650
	Current accounts	15 502 186	11 437 885
	Savings and call accounts	66 664 315	55 644 917
	Fixed deposits	74 701 173	38 989 356
	Term deposits	1 035 785	65 692
	Other	94 922	842 135
		169 179 023	115 572 635
14.2	**Maturity analysis**		
	On demand	82 299 898	66 825 870
	Within 1 month	53 176 399	4 523 889
	Between 1 and 6 months	28 573 025	39 905 427
	Between 6 and 12 months	320 827	316 986
	After 12 months	4 808 874	4 000 463
		169 179 023	115 572 635
14.3	**Deposit concentration**		
	Private individuals	41 790 976	29 398 639
	Agriculture	6 525 138	5 880 806
	Mining	1 764 877	816 838
	Manufacturing	5 142 365	4 894 989
	Distribution	5 971 534	4 702 153
	Construction	1 781 777	402 340
	Transport	1 957 376	2 212 154
	Services	35 660 227	25 559 694
	Financial	44 020 706	27 394 948
	Other	24 564 047	14 310 074
		169 179 023	115 572 635

15. SHORT TERM BORROWINGS

	COMPANY		GROUP	
	31 Dec 2011 US$	31 Dec 2010 US$	31 Dec 2011 US$	31 Dec 2010 US$
Agrobills	4 811 916	3 281 237	3 596 383	3 284 510
Offshore borrowings	-	-	1 607 050	-
	4 811 916	3 281 237	5 203 433	3 284 510

Agrobills were issued by the Holding company to raise funds for the Group's farming clients for the 2011 winter crop and livestock programs. The agrobills had interest rates ranging from 10% and 12% and were for a period of 365 days. Offshore borrowings were made up of offshore loans to ZB Bank Limited provided by Afrixembank, which had tenures ranging from nine months to twenty-eight months at an interest of 5.34% per annum.

		COMPANY		GROUP	
		31 Dec 2011 US$	31 Dec 2010 US$	31 Dec 2011 US$	31 Dec 2010 US$
16.	**TRADE AND OTHER PAYABLES**				
	Unearned premium	-	-	1 296 873	577 134
	Incurred but not yet reported claims reserve	-	-	1 162 491	1 376 174
	Income received in advance	-	-	1 813 845	1 330 171
	Interest accrued on deposits	-	-	777 131	576 924
	Items in transit	-	-	1 401 868	72 157
	Accrued expenses and provisions	-	-	3 097 205	630 657
	Policyholders claims intimated but not paid	-	-	54 469	88 443
	Trade payables	4 600 268	890 379	7 158 941	5 533 406
		4 600 268	890 379	16 762 823	10 185 066
17.	**DEFERRED TAXES**				
17.1	**Deferred tax assets**				
	Balance at the beginning of the year	-	-	-	-
	Charge to the income statement	104 618	-	661 986	-
	Balance at the end of the year	104 618	-	661 986	-
17.2	**Deferred tax liabilities**				
	Balance at beginning of year	1 986	983	4 163 897	3 647 187
	Charge to the income statement	(1 986)	1 003	(1 025 290)	471 576
	Arising from revaluation of property and equipment	-	-	102 364	45 134
	Balance at the end of year	-	1 986	3 240 971	4 163 897
	Net deferred tax	(104 618)	1 986	2 578 985	4 163 897
	Deferred taxation comprises:				
	Temporary differences arising from:				
	Property and equipment	-	-	3 305 491	3 691 103
	Fair value adjustments on financial assets	6 339	492	511 752	568 113
	General provisions and deferred income	-	1 494	(721 156)	(431 420)
	Assessed loss	(110 957)	-	(668 902)	-
	Other	-	-	151 800	336 101
		(104 618)	1 986	2 578 985	4 163 897

18. 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.

18. LIFE ASSURANCE FUNDS (continued)

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.

18.1 Analysis of net assets supporting the life fund liabilities:-

	31 Dec 2011 US$	31 Dec 2010 US$
Listed equities	12 157 333	11 298 205
Unlisted equities	2 867 963	2 467 107
Gold fund	472 148	-
Investment properties	2 574 285	2 363 769
Funds on deposit	4 312 296	3 053 945
Trade and other receivables	40 272	-
Gross assets	22 424 297	19 183 026
Less: Deferred tax liabilities	(163 168)	(20 842)
Trade and other payables	(54 469)	(106 941)
Income tax payable	(99 044)	-
Net assets	22 107 616	19 055 243

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

18.2 Movement of the life assurance funds liabilities:-

	31 Dec 2011 US$	31 Dec 2010 US$
Balance at 1 January 2011	19 055 243	11 760 556
Transfer from profit and loss	3 052 373	7 294 687
- Expense overrun reserve	534 198	5 649 206
- Change in policyholders' liabilities	2 518 175	1 645 481
Balance at 31 December 2011	22 107 616	19 055 243

18.2 Movement of the life assurance funds liabilities (continued):-

Expense Overrun Reserve

The Expense Overrun Reserve (EOR) was set aside for the first time in 2010 to reflect the fact that current levels of policy-related expenses exceed those provided for in normal circumstances. The EOR was reviewed and re-set with reference to the 2011 under-recovery of expenses. The reserve increased from that set at the end of 2010 mainly due to expenses having increased by about 23% and limited business growth over the past year.

It was 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.

The movement in the life assurance funds is accounted for through profit and loss.

19. EQUITY AND RESERVES

19.1 Issued capital

	COMPANY		GROUP	
	31 Dec 2011 US$	31 Dec 2010 US$	31 Dec 2011 US$	31 Dec 2010 US$
Company:				
Authorised:				
1 000 000 000 ordinary shares of US$0.01 each	-	-	10 000 000	10 000 000
Issued and fully paid:				
175 188 342 ordinary shares of US$0.01 each	1 751 833	1 751 883	1 751 883	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.

19.2 Fully paid ordinary shares

2011	COMPANY		GROUP	
	US$	US$	US$	US$
	Share Capital	Share premium	Share capital	Share premium
Balance at beginning of year	1 751 883	27 927 781	1 751 883	27 927 781
Treasury shares	-	(266 912)	-	(590 315)
Balance at end of year	1 751 883	27 660 869	1 751 883	27 337 466

2010	COMPANY		GROUP	
	US$	US$	US$	US$
	Share Capital	Share premium	Share capital	Share premium
Balance at beginning of year	160 000	1 680 000	160 000	1 680 000
Arising from redenomination of share capital	1 591 883	27 143 623	1 591 883	27 143 623
Treasury shares	-	(895 842)	-	(895 842)
Balance at end of year	1 751 883	27 927 781	1 751 883	27 927 781

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

	31 Dec 2011 US$	31 Dec 2010 US$
19.3 Other components of equity		
General reserve (see note 19.3.1 below)	1 664 867	845 721
Properties and equipment revaluation reserve (see note 19.3.2 below)	10 996 036	9 207 215
	12 660 903	10 052 936
19.3.1 General reserves		
Balance at beginning of year	845 721	1 927 826
Regulatory reserve in respect of doubtful debts	312 956	405 636
Transfer from/(to)retained income	1 000 000	(1 812 319)
Transfer from/(to) non-controlling interest	(493 810)	324 578
Balance at end of year	1 664 867	845 721

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.

19.3.1 General reserves (continued)

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 in 2011 was based on recommendations from the Group's independent actuaries.

	31 Dec 2011 US$	31 Dec 2010 US$
19.3.2 Property and equipment revaluation reserve		
Balance at beginning of year	9 207 215	8 062 917
Increase on revaluation of properties	2 047 238	1 490 715
Share of associate companies' revaluation reserve	64 488	(160 672)
Transfer to non controlling interests	(203 937)	(135 019)
Deferred tax liability arising on revaluation	(118 968)	(50 726)
Balance at end of year	10 996 036	9 207 215

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 3.9. 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.

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.

19.4 Accumulated profit / (loss)

	COMPANY		GROUP	
	31 Dec 2011 US$	31 Dec 2010 US$	31 Dec 2011 US$	31 Dec 2010 US$
Balance at beginning of year	7 560 194	6 900 441	(2 737 180)	(3 086 928)
Profit / (loss) attributable to equity holders of parent	7 349 655	659 753	5 800 788	(1 055 669)
Transfer to general reserves in respect of regulatory reserve for doubtful debts	-	-	(312 956)	(406 902)
Transfer (to) / from general reserves in respect of investments for life fund	-	-	(1 000 000)	1 812 319
Balance at end of year	14 909 849	7 560 194	1 750 652	(2 737 180)

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 2011.

	31 Dec 2011 US$	31 Dec 2010 US$
19.5 Non-controlling interest		
Balance at beginning of year	9 021 626	10 744 906
Profit/(loss) attributable to non-controlling interest	1 228 879	(1 546 411)
Increase on revaluation of property	203 937	135 019
Transfer from/(to) general reserve in respect of investment in life fund	464 539	(324 578)
Arising from the issue of shares at a subsidiary company	7 066	6 583
Transfer from general reserves in respect of regulatory reserve for doubtful debts	29 271	1 266
Deferred tax arising from revaluation reserve	-	4 841
Balance at end of year	10 955 318	9 021 626

19.6 Tax effect relating to each component of other comprehensive income

2011	Before tax amount US$	Tax (expense) benefit US$	Net of tax amount US$
Gains on property revaluation	2 047 238	(102 362)	1 944 876
Share of associate companies' revaluation reserve	64 488	(16 606)	47 882
	2 111 726	(118 968)	1 992 758

19.6 Tax effect relating to each component of other comprehensive income (continued)

2010	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

20. 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.

		COMPANY 2011 US$	COMPANY 2010 US$	GROUP 2011 US$	GROUP 2010 US$
21.	**INTEREST INCOME**				
21.1	**Interest income**				
	Interest income comprises interest on:				
	Advances	-	-	21 897 887	14 315 971
	Overdraft accounts	-	-	4 328 793	1 703 685
	Cash and short-term funds	262 555	-	1 393 457	865 073
	Loans to other banks	-	-	832 817	-
	Other	181 237	-	496 991	675 597
	Total interest income	443 792	-	28 949 945	17 560 326
21.2	**Interest expense**				
	Interest expense comprises interest on:				
	Retail deposits	-	-	362 147	220 335
	Fixed deposits	-	-	6 585 015	4 421 238
	Short-term funds	-	-	348 243	720 784
	Other interest payable categories	-	394 494	1 649 173	516 272
	Total interest expense	-	394 494	8 944 578	5 878 629
	Net interest income	443 792	(394 494)	20 005 367	11 681 697
22	**GROSS REINSURANCE PREMIUM INCOME**				
	Gross premium written	-	-	12 478 519	10 725 410
	Retrocessions commission	-	-	1 088 202	839 852
	Retrocessions claims	-	-	2 351 367	1 320 181
		-	-	15 918 088	12 885 443
23.	**OTHER OPERATING INCOME**				
	Commission and fees	-	-	26 750 686	18 414 402
	Dealing income	-	-	71 305	82 142
	Exchange income	-	-	373 205	425 797
	Dividends from investment securities	6 441	365 738	304 761	215 004
	(Loss)/profit on disposal of property and equipment	-	-	(9 503)	26 428
	(Loss)/profit on disposal of investments	-	-	(46 961)	5 958
	Rent received	-	-	1 110 753	815 513
	Cash in transit recoveries	-	-	1 645 265	1 256 982
	Management fees	5 229 426	999 178	-	-
	Other	936	-	2 995 638	1 186 478
		5 236 803	1 364 916	33 195 149	22 428 704

	COMPANY		GROUP	
	2011	2010	2011	2010
	US$	US$	US$	US$

24. FAIR VALUE ADJUSTMENTS

On financial instruments	119 959	(909)	7 566 345	656 594
On investment properties	-	-	1 057 150	331 119
On investments in subsidiaries	8 105 642	52 739	-	-
	8 225 601	51 830	8 623 495	987 713

25. OPERATING EXPENSES

	COMPANY		GROUP	
	2011	2010	2011	2010
	US$	US$	US$	US$
Commission and fees	-	-	985 329	184 223
Staff expenses	3 458 313	-	23 937 886	16 646 035
Pension fund expenses	188 984	-	1 491 899	1 112 772
National Social Security Authority expenses	39 126	-	100 439	87 107
Communication expenses	106 351	-	1 120 541	1 215 546
Computers and information technology expenses	92 716	-	2 248 222	1 640 008
Occupation expenses	492 728	-	3 786 225	3 442 064
Transport expenses	465 756	-	1 523 384	1 050 155
Travelling expenses	233 979	-	635 855	261 846
Depreciation of property and equipment	-	-	2 163 733	1 908 818
Amortisation of intangible assets	-	-	758 815	380 643
Administration expenses	1 560 480	248 993	11 668 742	5 659 588
Directors fees	24 712	27 812	353 584	281 455
Impairment on investments	-	-	532	-
Impairment on intangible assets	-	-	-	14 690
	6 663 145	276 805	50 775 186	33 884 950

Included in administration expenses are the following:

Auditors' remuneration	45 430	27 174	530 890	396 918
- for current year audit	36 468	22 510	402 500	222 950
- for prior year audit	-	-	57 500	127 468
- for half year ended 30 June 2011 audit	8 962	4 664	70 890	46 500

	COMPANY		GROUP	
	2011	2010	2011	2010
	US$	US$	US$	US$

26. INCOME TAX CREDIT / (EXPENSE)

Current income tax	-	84 691	3 587 320	426 126
Deferred tax	(106 604)	1 003	(1 687 276)	471 576
Tax effect on share of results of associates	-	-	39 166	-
Capital gains tax	-	-	-	1 806
	(106 604)	85 694	1 939 210	899 508

Zimbabwean corporation tax is calculated at an effective rate of 25.75 per cent (2010: 25.75 per cent) of the estimated taxable profit for the year.

	COMPANY		GROUP	
	2011	2010	2011	2010
	US$	US$	US$	US$
Reconciliation of current income tax				
Profit/(loss) before taxation	7 243 051	745 447	8 968 877	(1 702 572)
Current tax on profits at basic rates	1 865 086	191 953	2 309 486	(438 412)
Increase/(reduction) arising from:				
- Exempt income	1 658	-	760 397	211 378
- Expenditure not allowed	142 214	1 755	252 820	99 055
- General provisions and deferred income	-	-	801 514	78 182
- Capital allowances in excess of depreciation	-	-	1 021 064	776 946
- Prepaid expenses	(1 494)	(1 494)	(17 524)	(46 687)
- Fair value adjustments	(2 118 421)	(107 524)	(2 209 339)	(254 336)
- Assessed loss	110 957	-	668 902	-
	-	84 691	3 587 320	426 126

27. EARNINGS/(LOSS) PER SHARE

GROUP

Basic and fully diluted earnings/(loss) per share

The calculation of basic and fully diluted loss per share for the year ended 31 December 2011 of US$0.03 (2010: loss of US$0.01) is based on the attributable profit after tax of US$5 800 788 (2010: loss of US$1 055 669) and weighted average number of shares of 162 809 877 (2010: 170 337 829).

	2011 US$	2010 US$
28. CASH FLOWS FROM OPERATING ACTIVITIES		
Net cash from operating activities working		
Profit/(Loss)before taxation	8 968 877	(1 702 572)
Adjustments for:		
Fair value adjustments on investments	(7 566 345)	(656 594)
Fair value adjustments on investments properties	(1 057 150)	(331 119)
Depreciation of property and equipment	2 163 733	1 908 818
Amortisation of intangible assets	758 815	380 643
Impairment loss on intangible assets	-	14 690
Impairment loss on investments	532	(76 226)
(Loss)/profit on disposal of equipment	9 503	(26 428)
Gain on disposal of investments	46 961	(5 958)
Specific and portfolio provisions	3 115 231	1 045 681
Share of associate companies losses	(54 248)	354 411
Operating cash flows before changes working capital	6 385 909	905 346
Increase in offshore borrowing	1 607 050	-
Increase in fixed deposits	(4 338 648)	(627 090)
Increase in mortgage advances	(1 187 602)	(2 213 950)
Decrease in other assets	(893 292)	(1 585 627)
Increase in advances and other accounts	(44 200 820)	(52 365 330)
Increase in properties on possession	-	17 250
Increase in deposits and other accounts	53 606 388	63 335 022
Increase in amounts clearing to other banks	2 794	(11 829)
Increase in other liabilities	8 261 905	4 687 149
Increase in life assurance funds	3 052 373	7 294 743
Cash generated from operations	22 296 057	19 435 684

29. AGENCY ACTIVITIES

In addition to the life assurance funds disclosed in note 18, 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 2011 US$	31 Dec 2010 US$
Funds under management		
Investors' funds in ZB Investments		
Nominees (Private) Limited	43 605 793	7 609 508
Investors' funds in ZB Unit Trust Funds	1 784 944	581 656
	45 390 737	8 191 164
Represented by:		
Investments in money market instruments	14 727 914	5 957 163
Investments in listed instruments	23 237 922	2 234 001
Investments in unlisted instruments	4 210 351	-
Property investments	3 214 550	-
	45 390 737	8 191 164

30 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.

30.1 Lending to related parties

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

		31 Dec 2011 US$	31 Dec 2010 US$
30.1.1	**Lending to affiliate**		
	Alexander Forbes	-	295 078
30.1.2	**Lending to other related parties**		
	T.A. Holdings	212 215	439 514
	Sable Chemicals	1 932 333	2 627 470
	Canaric Investments	40 000	-
	Pickwick Investments	326 065	-
	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	2 554 875	742 998

30.2 Remuneration of key management personnel

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

	31 Dec 2011 US$	31 Dec 2010 US$
Directors' remuneration		
- fees by the Holding Company	24 712	27 812
- fees by subsidiaries	328 872	253 643
	353 584	281 455

31. CONTINGENT LIABILITIES AND CAPITAL COMMITMENTS

31.1 Contingent liabilities

	31 Dec 2011 US$	31 Dec 2010 US$
In respect of warranties and indemnities issued in pursuance of the re-capitalisation of Intermarket Banking Corporation (Zambia) Limited	-	5 136 799
In respect of guarantees	27 432 858	6 480 584
	27 432 858	11 617 383

Full and final settlement of the warranties and indemnities was negotiated in the sum of US$2 625 000 and the amount has been recognized as an expense in the current year.

31.2 Capital commitments

	31 Dec 2011 US$	31 Dec 2010 US$
In respect of expenditure authorised and contracted	2 032 500	6 712 160
In respect of expenditure authorised but not contracted	10 785 630	2 869 922
	12 818 130	9 582 082

Capital commitments will be funded from own funds.

32. PENSION ARRANGEMENTS

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

32.1 ZB Financial Holdings Limited Pension Fund:

All members of the Group belong to a Defined Contribution scheme which is administered separately and whose 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.

	2011 US$	2010 US$
Total expense recognised in the income statement	1 491 899	1 112 772

32.2 National Social Security Authority

This Defined Contribution 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 (2010: 4%) per month per employee. Contributions by the Group amounted to US$100 439 for the year ended 31 December 2011 (2010: US$87 107).

33. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

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

33.1 Capital risk management

The primary objectives in managing capital at the Group are:

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

The Group's capital consists of equity attributable to the shareholders of the parent Company, comprising the issued share capital, reserves and retained income as disclosed in note 19 and debt, which includes direct loans plus the residual funding from deposit taking activities after deducting the associated liquid or near-liquid assets.

33.1 Capital risk management (continued)

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

Consequently, gearing was maintained at nil throughout the year.

The banking, 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.

33.2 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.

33.2.1 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.

33.2.1 Liquidity risk (continued)

Strategies for management/mitigation

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

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

Monitoring and controlling mechanisms

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

Adequacy and effectiveness of risk management systems

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

33. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

2011	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	51 954 400	-	-	-	-	51 954 400
Money market investments	-	6 613 975	-	-	-	6 613 975
Advances and other accounts	40 236 706	56 064 912	17 023 953	-	-	113 325 571
Mortgage advances	-	-	-	4 532 193	-	4 532 193
Investment securities	-	-	-	-	30 828 317	30 828 317
Trade and other receivables	69 418	4 865 416	-	-	-	4 934 834
Investment in associates	-	-	-	-	2 305 951	2 305 951
Investment properties	-	-	-	-	9 412 049	9 412 049
Intangible assets	-	-	-	-	8 303 614	8 303 614
Property and equipment	-	-	-	-	39 706 525	39 706 525
Deferred tax asset	-	-	-	-	661 986	661 986
	92 260 524	67 544 303	17 023 953	4 532 193	91 218 442	272 579 415
Liabilities						
Deposits and other accounts	135 476 297	28 573 025	320 827	4 808 874	-	169 179 023
Amounts clearing to other banks	62 524	-	-	-	-	62 524
Short term borrowings	-	3 596 383	-	-	-	3 596 383
Offshore borrowings	-	1 607 050	-	-	-	1 607 050
Trade and other payables	-	16 762 823	-	-	-	16 762 823
Current tax liabilities	-	1 566 803	-	-	-	1 566 803
Deferred tax liabilities	-	-	-	-	3 240 971	3 240 971
Life assurance funds	-	-	-	-	22 107 616	22 107 616
Total equity	-	-	-	-	54 456 222	54 456 222
	135 538 821	52 106 084	320 827	4 808 874	79 804 809	272 579 415
Period gap	(43 278 297)	15 438 219	16 703 126	(276 681)	11 413 633	-
Cumulative gap	(43 278 297)	(27 840 078)	(11 136 952)	(11 413 633)	-	-

33. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

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)	-	-

33. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

	31 Dec 2011 US$	31 Dec 2010 US$
Liquidity ratios:-		
Total liquid assets	58 637 793	43 750 862
Total liabilities to the public	172 837 931	115 572 635
Liquidity ratio	34%	38%
Minimum statutory liquidity ratio	25%	20%
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	29%	37%
ZB Building Society	42%	174%

33.2.2 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.

33.2.2.1 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.

33.2.2.1 Interest rate risk (continued)

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.

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.

33. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

2011	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 GAP ANALYSIS						
Assets						
Cash and short term funds	-	-	-	-	51 954 400	51 954 400
Money Market Investments	-	6 613 975	-	-	-	6 613 975
Advances and other accounts	40 236 706	56 064 912	17 023 953	-	-	113 325 571
Mortgage advances	-	-	-	4 532 193	-	4 532 193
Investment securities	-	-	-	-	30 828 317	30 828 317
Investment in associates	-	-	-	-	2 305 951	2 305 951
Trade and other receivables	-	-	-	-	4 934 834	4 934 834
Deferred tax asset	-	-	-	-	661 986	661 986
Intangible assets	-	-	-	-	8 303 614	8 303 614
Investment properties	-	-	-	-	9 412 049	9 412 049
Property and equipment	-	-	-	-	39 706 525	39 706 525
	40 236 706	62 678 887	17 023 953	4 532 193	148 107 676	272 579 415
Liabilities						
Deposits and other accounts	135 476 297	28 573 025	320 827	4 808 874	-	169 179 023
Amounts clearing to other banks	62 524	-	-	-	-	62 524
Trade and other payables	-	16 762 823	-	-	-	16 762 823
Off shore borrowings	-	1 607 050	-	-	-	1 607 050
Short term borrowings	-	3 596 383	-	-	-	3 596 383
Current tax liabilities	-	1 566 803	-	-	-	1 566 803
Deferred tax liabilities	-	-	-	-	3 240 971	3 240 971
Life assurance funds	-	-	-	-	22 107 616	22 107 616
Total equity	-	-	-	-	54 456 222	54 456 222
	135 538 821	52 106 084	320 827	4 808 874	79 804 809	272 579 415
Period gap	(95 302 115)	10 572 803	16 703 126	(276 681)	68 302 867	-
Cumulative gap	(95 302 115)	(84 729 312)	(68 026 186)	(68 302 867)	-	-

33. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

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 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 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)	-	-

33.2.2.1 Interest rate risk (continued)

Sensitivity analysis

A 2% change in the rate sensitive assets would result in the reported profits being increased or decreased by US$23 700 and the total assets in the statement of financial position being increased or decreased by US$2.5 million using an average margin of 1.28% per annum.

A 2% change in the rate sensitive liabilities would result in the reported profits being increased or decreased by US$36 705 and the total liabilities in the statement of financial position being increased or decreased by US$3.9 million using an average margin of 1.28% per annum.

33.2.2.2 Foreign exchange risk

Definition

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

Identification techniques

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

Measurement methods

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

Impact evaluation

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

Strategies for management/mitigation

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

Monitoring and controlling mechanisms

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

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.

33.2.2.2 Foreign exchange risk (continued)

Foreign currency position

The carrying amount of the Group's non United States dollar monetary assets and liabilities as at 31 December 2011 were as follows:

	31 Dec 2011 US$	31 Dec 2010 US$
Australian dollar	4 598	7 909
Botswana pula	563 083	565 563
British pound	153 558	257 706
Indian rupee	759	901
Japanese yen	65 001	64 988
Malawian kwacha	2 105	2 272
Euro	1 020 047	817 445
South African rand	5 773 815	3 129 029
Zambian kwacha	1 008	1 077
Total assets	7 583 974	4 846 890
Botswana pula	(225 048)	(231 698)
British pound	(100 355)	(120 128)
Euro	(52 023)	(71 474)
South African rand	(3 879 852)	(3 028 859)
Total liabilities	(4 257 278)	(3 452 159)
Net foreign currency position	3 326 696	1 394 731

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 or increased by US$247 007 and the statement of financial position being reduced or increased by US$332 670.

33.2.2.3 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.

33.2.2.3 Equity price risk (continued)

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 2011 would have resulted in an increase / decrease of US$2.7 million to the reported Group's profit and an increase / decrease in the statement of financial position of US$2.8 million.

33.2.3 Credit risk

Definition

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

Identification techniques

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

Measurement methods

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

Impact evaluation

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

Strategies for management/mitigation

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

Monitoring and controlling mechanisms

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

33.2.3 Credit risk (continued)

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 2011 US$	31 Dec 2010 US$
Classification		
Good	136 274 308	73 002 400
Sub-standard	214 907	649 629
Doubtful	800 863	112 829
Loss	8 000 544	3 293 294
	145 290 622	77 058 152

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$7.9 million and the total assets in the statement of financial position being reduced by US$10.7 million.

33.3 Other business risks

33.3.1 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.

33.3.1 Operational risk (continued)

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.

33.3.2 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.

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.

33.3.3 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.

33.3.3 Technological risk (continued)

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.

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.

33.3.4 Solvency risk

Definition

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

Identification techniques

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

Impact evaluation

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

Measurement methods

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

Strategies for management/mitigation

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

Adequacy and effectiveness of risk management systems

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

33.3.5 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 (2010: US$75 000) 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:

	31 Dec 2011 US$	31 Dec 2010 US$
Total insurance risk before retrocession	5 000 000	5 000 000
Retroceded risk	(4 000 000)	(4 000 000)
Insurance risk after reinsurance	1 000 000	1 000 000

33.4 Risk rating

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

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

33.4.1 Regulatory risk rating (continued)

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

Summary of Risk Assessment

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

33.4.1 Regulatory risk rating (continued)

Overall Risk Matrix – ZB Financial Holdings Limited

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

33.4.1 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

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

33.4.1 Regulatory risk rating (continued)

Interpretation of risk matrix

Level of Inherent Risk

Low - reflects a lower than average probability of an adverse impact on a banking institution's capital and earnings. Losses in a functional area with low inherent risk would have little negative impact on the banking institution's overall financial condition.
Moderate - could reasonably be expected to result in a loss which could be absorbed by a banking institution in the normal course of business.
High - reflects a higher than average probability of potential loss. High inherent risk could reasonably be expected to result in a significant and harmful loss to the institution.

Adequacy of Risk Management Systems
Weak - risk management systems are inadequate or inappropriate given the size, complexity and risk profile of the banking institution. Institution's risk management systems are lacking in important ways and therefore a cause of more than normal supervisory attention. The internal control systems will be lacking in important aspects particularly as indicated by continued control exceptions or by the failure to adhere to written policies and procedures.
Acceptable - management of risk is largely effective but lacking to some modest degree. While the institution might be having some minor risk management weaknesses, these have been recognized and are being addressed. Management information systems are generally adequate.
Strong - management effectively identifies and controls all types of risk posed by the relevant functional areas or per inherent risk. The board and senior management are active participants in managing risk and ensure appropriate polices and limits are put in place. The policies comprehensively define the bank's risk tolerance, responsibilities and accountabilities are effectively communicated.

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.

33.4.2 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	2011	2010	2009
ZB Bank Limited	BBB+	BBB+	BBB+
ZB Building Society	BBB-	BBB-	BBB-
ZB Reinsurance Company	BBB+	BBB+	BBB+

All ratings above fall within the "Investment Grade". The current ratings expire on the 31st of May 2012.

34. 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 2011, 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.

Commercial banks in Zimbabwe are required to maintain a minimum capital level of US$12.5 million. Intermarket Banking Corporation Limited (IBCL) did not meet this requiredment during the year under review. The Group has adopted a strategic position to merge IBCL with ZB Bank Limited which obviates the need for a further capital injection on IBCL. This transaction awaits finalization of due process.

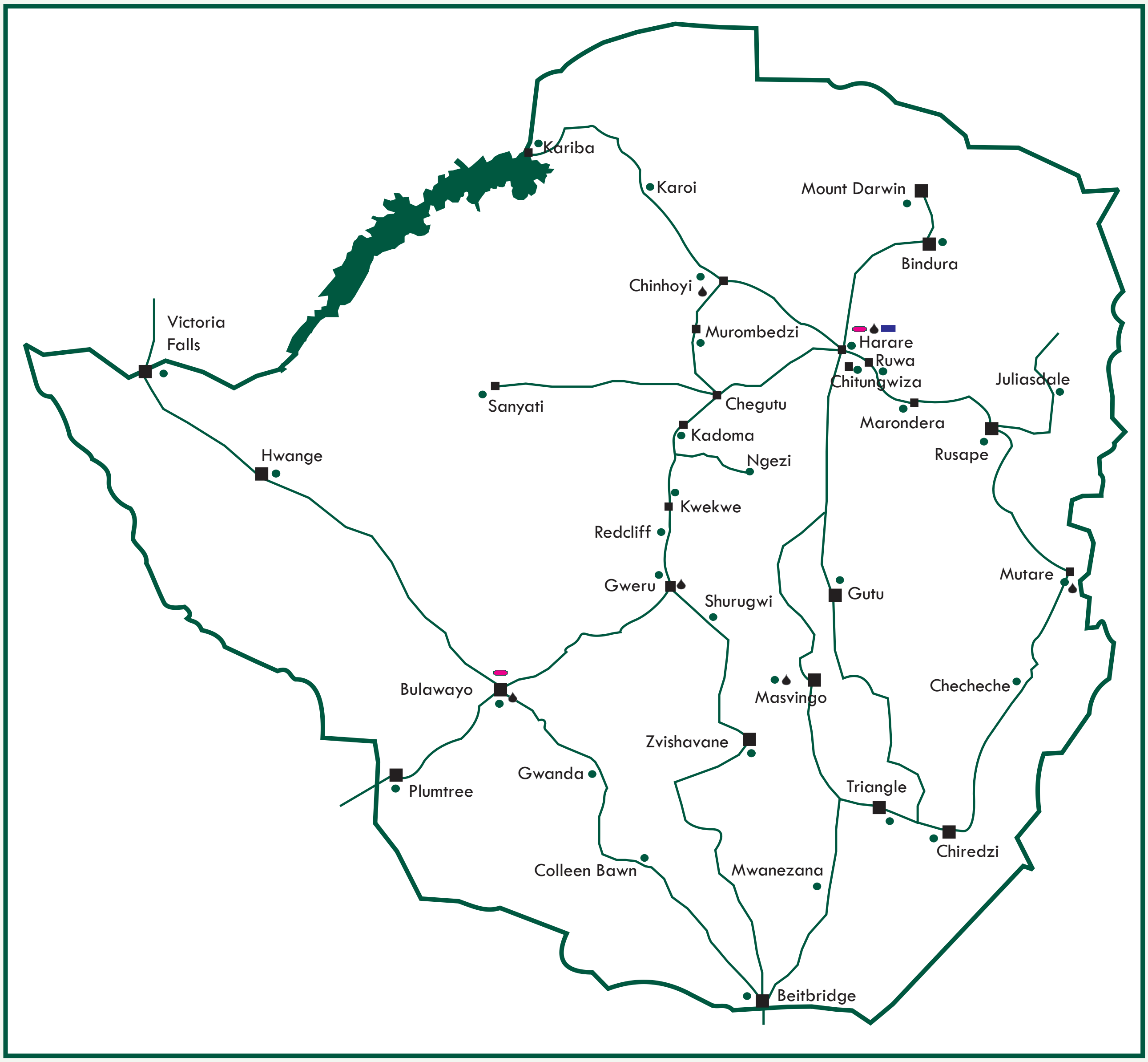
The directors are not aware of any other material cases of non-compliance with regulations governing the operations of all companies within the Group.

35. EVENTS AFTER THE REPORTING PERIOD

There were no major events subsequent to the reporting period.

THE ZB FINANCIAL HOLDINGS GROUP BRANCH NETWORK

For the year ended 31 December 2011



KEY

- Banking operations
- ZB Stock Brokers
- ZB Reinsurance
- ZB Life Assurance

NB: Banking operations include both ZB Bank and ZB Building Society.

THE ZB FINANCIAL HOLDINGS GROUP BRANCH NETWORK
For the year ended 31 December 2011

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

ZB BANK UNITS
Managing Director's Office
11 th Floor ZB Centre
Corner First Street / Kwame Nkrumah Ave
P O Box 3198
Harare
Telephone: 796841/49
Fax: 759663
E-mail: info@zb.co.zw
Web address: www.zb.co.zw

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

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

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

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

Agribusiness
4 th floor Rotten Row Complex
Kaguvi St/Kwameh Nkrumah Avenue
P O Box 1374
Harare
Tel: 774281/9, 774303/9
Fax: (04) 774281 Ext 6012

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

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

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

THE ZB FINANCIAL HOLDINGS GROUP BRANCH NETWORK

For the year ended 31 December 2011

Head Consumer Banking
12th Floor ZB Centre
Corner First Street / Kwame Nkrumah Ave
POBox3198
Harare
Telephone: 781236/74, 796842/3
Fax: 759667
E-mail: info@zb.co.zw
Web address: www.zb.co.zw

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

Electronic Banking
Finance House
62 Speke Avenue
2nd Floor
P O Box 3198
Harare
Tel: (04) 253565, 707699, 796404
Fax: (04) 739 787

CONSUMER BANKING UNITS

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

Avondale Branch
King George Road
P O Box A92
Avondale
Harare
Tel: (04) 334281/4
Fax: (04) 302798

Borrowdale Branch
34 Sam Levy Village
P O Box BW480
Borrowdale
Tel: (04) 885686/8
Fax:- (04) 883262

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

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

Gwanda Branch
Shop No. 8, NSSA Complex,
P O Box 371
Gwanda

Douglas Road Branch
Lytton/Douglas Roads
P O Box ST491
Southerton
Harare
Tel: (04) 772181/772182
Fax: (04) 772183

First Street Branch
46 Speke Avenue
ZB House
P O Box 3198
Harare
Tel: (04) 757471/9 757535/40
Fax: (04) 752211

THE ZB FINANCIAL HOLDINGS GROUP BRANCH NETWORK
For the year ended 31 December 2011

Graniteside Branch
108 Seke Road
Harare
Tel: (04) 772062/5
Tel/Fax: (04) 772062/5

Private Banking
10th Floor, ZB Centre
Cnr Kwameh Nkrumah/First Street
P O Box 3198
Harare
Tel: (04) 796841/4
Fax: (04) 759667

Rotten Row Branch
Kaguvi St/Kwameh Nkrumah Avenue
P O Box 1374
Harare
Tel: 774281/9, 774303/9
Fax: (04) 774281 Ext 6012

Westend Branch
Cnr Robert Mugabe Road/Chinhoyi Street
P O Box 3198
Harare
Tel: (04) 781361/6
Fax: (04) 751869

Msasa Branch
Colonade Complex Beverley West
P O Box AY160
Amby
Tel: (04) 486427/9
Fax: (04) 486427/9

Beitbridge Branch
Bloomfield Centre
P O Box 250
Beitbridge
Tel: (0286) 22641
Fax: (0286) 22817

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

Fife Street Branch
Cnr Fife Street/10th Avenue
P O Box 849
Tel: (09) 888501/6
Fax: (09) 75030
Bulawayo

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

Checheche Branch
Stand Number 2100
P O Box 155
Checheche
Tel: (0327) 435

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

Gutu Branch
Stand 362/3 Mpandawana
P O Box 19
Gutu
Tel: (030) 2564/66

Gweru Branch
36 r. Mugabe Way
P O Box 736
Gweru
Tel: (054) 222501/4
Fax: (054) 225938

Juliasdale Branch
Plot No 49 of Claremont Estates
Juliasdale
P O Box 350
Juliasdale
Fax: (029) 3079

Kadoma Branch
42 R. Mugabe Street
P O Box 430
Kadoma
Tel: (068) 22112/4

Kwekwe Branch
Cnr 3rd Avenue/ R. Mugabe Street
P O Box 478
Kwekwe
Tel: (055) 22813/4
Fax: (055) 24124

Red Cliff Branch
Shop No. 1, Rhodes Tower
Redcliff

Marondera Branch
Ash Street
P O Box 414
Tel: (079) 24001/1

Masvingo Branch
Electricity House
R. Mugabe Street
P O Box 600
Masvingo
Tel: (039) 262856/7
Fax:(039) 265285

Mt Darwin Branch
Cnr Hospital/Bindura Road
P O Box 110
Mt Darwin
Tel: (076) 2532, 335
Fax: (076) 2633

Murombedzi Branch
Murombedzi Township
P O Box 100
Murombedzi
Tel: (0678) 2133/2131
Fax: (0678) 2133

Mutare Branch
88 Herbert Chitepo Street
P O Box 646
Mutare
Tel: (020) 63587
Fax:- (020) 68673

Mwenezana Branch
P O Box 60
Mwenezana Estates
Mwenezi
Cell: 0772 420 828
Fax: 014/273

Ngezi Branch
Old Mutual Complex
Shop no 6
Turf Village, Ngezi
Cell: 0772 415 175

Plumtree Branch
Kingsway Drive
P Bag 5924
Plumtree
Tel: (019) 2282/2410

Rusape Branch
20 Herbert Chitepo Street
Box 234
Rusape
Tel: (025) 2395/2336

Sanyati Branch
Stand 39/42
P Bag 2002
Sanyati
Tel:- (0687) 2507/9

Shurugwi Branch
287/288 Beit Street
Shurugwi
Tel: (052) 6813 & 6604

Triangle Branch
Ground Floor, Vernon Crooks Court
Triangle
Tel: (033) 6992
Fax: (033) 6993

THE ZB FINANCIAL HOLDINGS GROUP BRANCH NETWORK
For the year ended 31 December 2011

Victoria Falls Branch
P O Box 100
Livingstone Way
Victoria Falls
Tel: (013) 44541/2
Fax (013) 42070

Zvishavane Branch
86 Fowler Avenue
Zvishavane
P O BOX 7
Zvishavane
Tel:- (051) 2934
Telefax (051) 2934

Kariba Branch
Stand No. 636, Nyamhunga T/Ship
P O Box 270
Kariba
Tel: 061-3101/3102/3043-4
Fax: 061-2892

Karoi Branch
No. 3 Rose way Road
Karoi

Millenium Tobacco
8 Transtobac Complex,
Hillside Road Ext, Mukuvisi,
Msasa
Tel: 446868-72

Tobacco Sales Floor
161 Eltham Road
Gleneagles Road
Willowvale
Harare
Tel: 621621
Fax: 621639

Premier Tobacco
334. Affirmative Way
Willowvale
Harare
Tel: 611240

Chinhoyi University
78, Off-Harare Chirundu Road
Chinhoyi
Tel: 067-28541/28527

ZB Life Assurance Limited

Head Office
ZB Life Towers
Sam Nujoma Street /Jason Moyo Avenue
P O Box 969
Harare
Telephone: 708801/09
E-mail: info@zblife.co.zw
Website: www.zb.co.zw

Bulawayo
ZB Life Centre
90 Main Street
P O Box 517
Bulawayo
Tel: (09) 65632
Fax (09) 71002
Bulawayo@zblife.co.zw

Gweru
Intermarket Place
36 – 6th Street
P O Box 1931
Gweru
Tel: (054) 227826
gweru@zblife.co.zw

Harare
Chiyedza House
Frist Street/Kwame Nkrumah Avenue
P O Box 969
Harare
Tel: (04) 708891/706441
info@zblife.co.zw

THE ZB FINANCIAL HOLDINGS GROUP BRANCH NETWORK

For the year ended 31 December 2011

Mutare
ZB Life Centre
First Avenue
P O Box 598
Mutare
Tel: (020) 62285
Fax: (020) 64084
mutare@zblife.co.zw

ZB BUILDING SOCIETY

Head Office
Finsure House
7th Floor
Sam Nujoma Street/Kwame Nkrumah Avenue
P O Box 2594
Harare
Telephone: 790880/9
Facsimile: 792960
E-mail: zb@zb.co.zw
Website: www.zbbs.co.zw

First Street
15 George Silundika Avenue
Harare
P. O. Box 2594
Tel: 777 779-82 / 758 275
Cell: 0773 668 853
Fax: 780916
Website: www.zbbs.co.zw

Chitungwiza
Shop No. 5
Old Mutual Complex
Chitungwiza
Tel: (0270) 22281
Cell: 0772 606 905
Website: www.zbbs.co.zw

Bindura - ZB Consumer Banking
28 Main Street
Bindura
Tel: (0271) 6373 / 6870
Cell: 0772 990 266
Website: www.zbbs.co.zw

Avondale
Shop Number 15
Avondale Shopping Centre
Harare
Tel: (04) 333428
Cell: 0773 576 660
Fax: (04)702233
Website: www.zbbs.co.zw

Chiredzi - ZB Consumer Banking
350 Chilonga Drive
Chiredzi
Tel: (031) 3116 / 2746
Cell: 0772 405 649
Website: www. zbbs.co.zw

Hwange - ZB Consumer Banking
Coronation Drive
Hwange
P. O. Box 191
Tel: (0281) 23208 / 22444 / 23587
Cell: 0774 144 281
Website: www.zbbs.co.zw

Bulawayo Main
8th Avenue & Main Street
Bulawayo
Tel: (09) 68583-4
Cell: 0772 268 136
Fax: (09) 76759
Website: www.zbbs.co.zw

Finsure House
Corner Sam Nujoma/Kwame Nkurumah Avenue
Harare
Tel: (04) 253758 / 253059
Cell: 0773 668 818
Fax: (04) 702233
Website: www. zbbs.co.zw

ZB Reinsurance

Head Office
Finsure House
5th Floor
Sam Nujoma Street/Kwame Nkrumah Avenue
P O Box 2594
Harare
Telephone: 759735-7
Facsimile: 751877
E-mail: info@zbre.co.zw
Website: www.zb.co.zw

Harare Office
Finsure House
5th Floor
Sam Nujoma Street/Kwame Nkrumah Avenue
P O Box 2594
Harare
Telephone: 759735-7
Facsimile: 751877
E-mail: info@zbre.co.zw
Website: www.zb.co.zw

Bulawayo Office
2nd Floor ZB Centre
9th Avenue
Bulawayo
Tel: (09) 65631/3
Fax: (09) 71002
E-mail: info@zbco.zw
Website: www.zb.co.zw

ZB Securities
1 st Floor
ZB Centre
Corner First Street / Kwame Nkrumah Ave
P O Box 3198
Harare
Tel: (04) 796841/6

ZB Capital (Private) Limited
1st Floor, ZB Centre
(P O Box 3198)
HARARE
Telephone: 796841/49
E-mail: info@zb.co.zw
Web address: www.zb.co.zw

ZB Transfer Secretaries (Private) Limited
1st Floor, ZB Centre
(P O Box 3198)
HARARE
Telephone: 796841/49
E-mail: info@zb.co.zw
Web address: www.zb.co.zw

NOTES

Form of Proxy

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 22 June, 2012, 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, 2011.			
2	Ordinary	Dr C U Hokonya and Mr T Mafunda were appointed to the Board of the Company after the last Annual General Meeting. In terms of Article 61 of the Company's Articles of Association, they retire at this meeting, and being eligible, offer themselves for election.			
3	Ordinary	To approve the remuneration of the Directors for the past financial year.			
4	Ordinary	4.1 To approve the remuneration to KPMG Chartered Accountants (Zimbabwe) for the past financial year's audit in terms of Article 112 of the Articles of Association of the Company. 4.2 To re-appoint KPMG Chartered Accountants (Zimbabwe) 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	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. At the Company's last Annual General Meeting the resolution was extended to expire at this Annual General Meeting. In view of the fact that the targeted threshold of shares of ten percent (10%) of the Company's issued share capital 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 last 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, 2012.

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
10th Floor ZB House, 46 Speke Avenue P O Box 3198, Harare, Telephone: +263 - 4 - 751168/75, +263 - 4 - 757539/43, Fax: +263 - 4 - 251029
E-mail: info@zb.co.zw
Web address: www.zb.co.zw