Annual Report

2012

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The ZB Financial Holdings Group

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-fourth Annual General Meeting of shareholders of ZB Financial Holdings Limited will be held in the Boardroom, Ninth Floor, ZB House, 46 Speke Avenue, Harare on Friday, 31 May 2013, commencing at 1030 hours to transact the following business:

ORDINARY BUSINESS

1. Financial Statements and Statutory Reports

To receive, consider, and if appropriate adopt the financial statements, and the reports of the directors and auditors for the year ended 31 December 2012.

2. Directorate

In terms of Article 68 of the Company's Articles of Association, Messrs T P B Mpofu and E Munemo retire by rotation at the meeting and being elegible offer themselves for re-election at the meeting.

3. Remuneration of Directors

To approve the remuneration of 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.

5. Any Other Business

To transact any 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.

The proxy form must be delivered at the registered office of the Company not less than 48 hours before the meeting is scheduled to commence.

A proxy need not be a member of the Company.

By order of the Board

C T Kathemba
Group Secretary

10 May 2013

10th Floor, ZB House
46 Speke Avenue
HARARE

Shareholder information

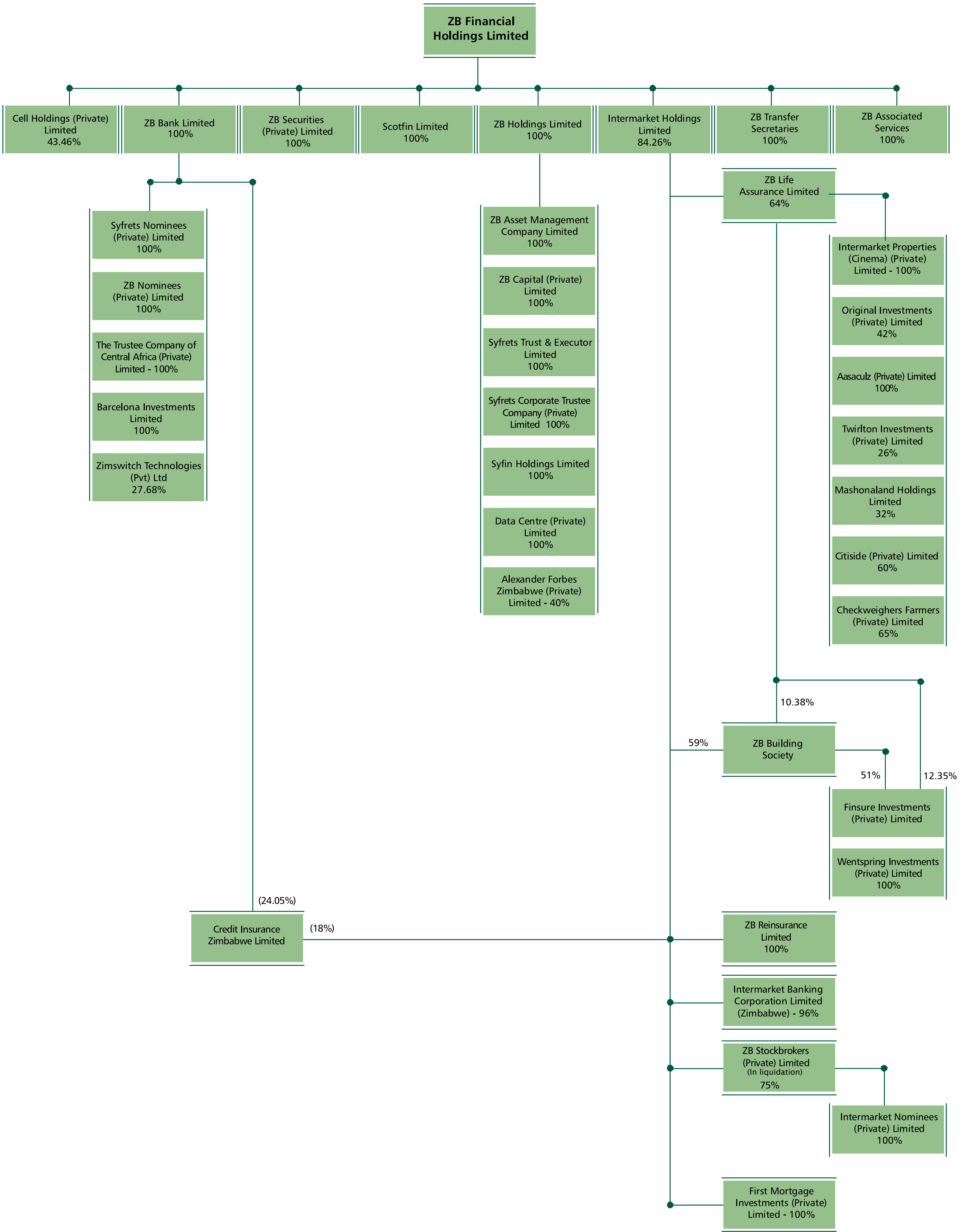
For the year ended 31 December 2012

ANALYSIS OF SHAREHOLDERS as at 31 December 2012				
Shares held	Number	% Spread	Shares Held	% Holding
1 - 500	230	15.30	49 142	0.0281
501 - 1000	462	30.74	267 087	0.1525
1001 - 10000	408	27.15	1 735 083	0.9904
10001 - 20000	242	16.10	3 418 883	1.9515
20001 - 50000	89	5.92	2 374 548	1.3554
50001 - 100000	16	1.06	1 154 672	0.6591
100001 - 500000	34	2.26	6 981 685	3.9852
500001 - 1000000	12	0.80	9 094 200	5.1910
1000001 - 10000000	7	0.47	27 463 531	15.6764
10000001 - over	3	0.20	122 651 811	70.0105
Totals	1 503	100.00	175 190 642	100.00

ANALYSIS BY CATEGORY				
Shareholders	Number	% Spread	Shares Held	% Holding
Individuals	1 288	85.70	18 739 775	10.69
Companies	114	7.58	57 409 286	32.77
FCDA resident and new non resident	10	0.67	14 122	0.01
Pension funds	23	1.53	68 664 859	39.19
Director	1	0.07	13 875	0.01
Nominee company	34	2.26	18 989 181	10.84
Non resident transferable	24	1.60	181 491	0.10
Investment, trust and property companies	2	0.13	642 567	0.37
Insurance companies	7	0.47	10 535 486	6.01
Totals	1 503	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
938 199	ZBFH Nominees	16 264 885	9.28
312 543	Old Mutual Life Assurance Company Zimbabwe Limited	9 712 221	5.54
670 139	Mashonaland Holdings Limited	5 281 975	3.01
6 438	Finhold Group Staff Trust	5 273 438	3.01
555 208	Guramatunhu Family Trust	2 187 546	1.25
629 368	Ministry of Finance	2 009 157	1.15
618 428	Zimre Reinsurance (Private) Limited	1 893 798	1.08
924 273	ZB Financial Holdings Pension Fund	1 105 396	0.63
	Total Holding for Top 10 Shareholders	151 101 697	86.25
	Remaining Holding	24 088 945	13.75
	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.

Company and product profile

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.

Company and product profile

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

The Composition of the Board

The current Board of Directors comprises two executive directors and six non-executive directors. The Board Chairman is a non-executive director.

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

The non-executive directors are appointed on the basis of their skills and expertise which enables them to bring competent judgement on all issues in respect of the Group.

Article 68 of the company's articles of association requires one third of the company's directors to retire by rotation annually. Retiring directors may stand for re-election.

All non-executive directors retire and if willing, submit themselves for re-election at regular intervals not exceeding three years.

The Board's Roles and Responsibilities

The Board has a Charter which regulates its roles and responsibilities and includes the following amongst the Board's broad mandate:

a) Setting the strategic direction of ZBFH and monitoring the implementation of that strategy by ZBFH's management:

b) oversight of the Group, including its control and accountability systems;

c) appointing and removing the Group Chief Executive;

d) Board and Executive Management development and succession planning;

e) monitoring compliance with all relevant legal, tax and regulatory obligations;

f) reviewing and monitoring systems of risk management and internal compliance and controls, codes of conduct, continuous disclosure, legal compliance and other significant corporate policies;

g) reviewing the effectiveness of ZBFH's implementation of its risk management system and internal control framework;

h) monitoring Executive Management's performance and implementing strategy and policies, including assessing whether appropriate resources are available;

i) approving and monitoring financial and other reporting to the market, shareholders, employees and other Stakeholders; and

j) appointment, reappointment, or replacement of the external auditor.

Induction and Evaluation of Directors

New directors are informed of their fiduciary duties and responsibilities to the Company at induction meetings. Directors are kept informed of any new relevant legislation and changing commercial risks that could affect the company.

Directors are entitled to seek independent professional advice at the company's expense, about the affairs of the company and for the furtherance of their duties.

The Board conducts annual assessments to evaluate the effectiveness of its procedures and the effectiveness of each member.

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

Board Committees

During the course of 2012 a separate board for ZB Bank Limited was constituted. This step was taken as part of measures to improve governance in the Group and to have a board focusing on the Bank's operations.

The Board transferred some functions to the new board of the Bank. Thus the Credit and Loans Review Committees ceased to come under your Company's Board and were transferred to the Bank board where it was felt they properly belonged. The Board's focus is on superintending over Group issues and formulating strategies for the Group as a whole.

In order to assist it in carrying out its mandate, the Board has the following Committees:

i) The Board Audit Committee
ii) The Finance and Strategy Committee
iii) The Group Marketing Committee
iv) The Nominations Committee
v) The IT Committee
vi) The Human Resources and Remuneration Committee
vii) The Board Risk and Management Committee

The Board Audit Committee

The Committee comprises three non- executive directors.
Its terms of reference include:

- To review the quality of financial information, interim and financial statements, and other public and regulatory reporting of the Group;

- To review the annual report and accounts of the Group, to ensure they present a balanced and understandable assessment of the position, performance and prospects of the Group;
- To review the external auditor(s) proposed audit certificate;
- To review the results of work performed by the internal audit function in relation to financial reporting, corporate governance, internal control, and any significant investigations and management responses;
- To review the co-ordination between the internal audit function and the external auditors and deal with any issues of material or significant concern.

The Finance and Strategy Committee

The Committee comprises three non-executive directors and two executive directors.
Its terms of reference include:

- To consider and review on an on-going basis the Group's capital structure and funding.
- To review on an on-going basis the Group's capital management planning.
- To approve the strategy and objectives of the Group.
- To monitor on a regular basis the performance of all business units of the Group against the agreed strategy and set objectives.
- To monitor the state of the relationship between the Group and its various stakeholders.

The Group Marketing Committee

The Committee comprises two non-executive directors and one executive director.
Its terms of reference include:

- To give a policy direction, guidance and counsel on ZBFH Group's overall marketing strategy with an emphasis on brand visibility and reputation, innovation and new product development, product profitability and pricing, as well as channel management initiatives.
- To review and approve submissions from management on the annual strategic marketing plan objectives, marketing strategies and the marketing budget.

The Nominations Committee

The Committee comprises two non-executive directors and one executive director.
Its terms of reference include:

- To lead the process of identifying, assessing, and recommending to the Board, candidates for appointment as directors of the Company.

- To review on a regular basis, and to make recommendations to the Board, any changes on the membership of Board committees.

- To review at least once a year, the structure, the size, and the composition, of the Board and the skills available to the Board, and to make recommendations on any changes, or additions to the Board, which in the Committee's view may be necessary to enhance the Board's effectiveness.

The IT Committee

The Committee comprises three non-executive directors and two executive directors.
Its terms of reference include:

- To review and approve Group IT policies with the ultimate objective of achieving an efficient use of IT resources available within the Group.

- To endeavour to develop ideas on a regular basis to achieve cost reduction on the use of IT products and processes while also ensuring compliance with safe and reliable standards.

The Human Resources and Remuneration Committee

The Committee comprises two non-executive directors and one executive director.
Its terms of reference include:

- To review and determine on a regular basis remuneration policies and conditions of service for employees of the Group.

- To monitor adherence to approved HR policies of the Group.

- To determine the remuneration levels and conditions of service of all employees falling under the executive grade of the Group.

- To receive for consideration and approval if deemed appropriate, proposals of reviews of salaries and conditions of services for employees of the Group.

- To receive information from management on a regular basis on the prevailing salaries and conditions of service of employees in the business sectors in which the Group is involved, for purpose of comparison with the Group's own salaries structures and conditions of service.

The Board Risk Management Committee

The Committee comprises two non-executive directors and one executive director.
Its terms of reference include:

- To review the adequacy and overall effectiveness of the business units risk management function and its performance, and reports on internal control and any recommendations.
- To review the adequacy of insurance coverage for Group assets.
- To review risk identification and measurement methodologies.

BOARD ATTENDANCES DURING THE YEAR

ZB Financial Holdings Limited (ZBFH) Board	
Total meetings	4
Name	Meetings attended
B P Nyajeka (Chairman)	4
E N Mushayakarara (Chief Executive Officer)	4
E Hamandishe	4
DR C U Hokonya	4
F Kapanje	4
T Mafunda	4
T P B Mpofu	4
E Munemo	4

ZB Asset Management Company Limited Board	
Total meetings	5
Name	Meetings attended
Z R Churu (Chairman)	5
S Mutamuko (Managing Director)**	2
S K Chiganze	4
F Manjokota***	3
C T Masvosva**	2
C J Murandu	4
R Mutandagayi	3
S Nhongo*	2
P M Nyamadzawoh	5

* Director appointed to the Board on 1 May 2012
** Directors appointed to the Board on 3 May 2012
*** Director resigned from the Board on 3 May 2012

ZB Bank Board	
Total meetings	6
Name	Meetings attended
Z R Churu (Chairman)	5
R Mutandagayi (Managing Director)	5
G Chikomo	4
DR C U Hokonya	4
G N Mahlangu	3
C Mandizvidza	3
P M Matupire	5
S A Sibanda	4
C Nyachowe	4
V B Sibanda	5

ZB Building Society Board	
Total meetings	4
Name	Meetings attended
T P B Mpofu (Chairman)	4
S Mahlangu (Managing Director)	4
S K Chiganze	4
C Makoni	4
E Munemo	4
E Mungoni	4
E N Mushayakarara	3
R Mutandagayi	4
E Sandura	3
M T Sachak	2
S A Sibanda	4

Intermarket Banking Corporation Limited Board	
Total meetings	**3**
Name	**Meetings attended**
P M Matupire (Chairman)	3
K Bangure (Managing Director)	2
D T Machingaidze	0
M Mkushi	2
R Mutandagayi	3

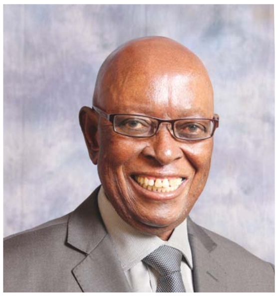
ZB Reinsurance Company Board	
Total meetings	**4**
Name	**Meetings attended**
E N Mushayakarara (Chairman)	4
B Shumba (Managing Director)	4
F B Chirimuuta	4
D T Machingaidze	4
C J Murandu	4
R Mutandagayi	4
C Nyachowe	3

ZB Life Assurance Board	
Total meetings	**4**
Name	**Meetings attended**
E N Mushayakarara (Chairman)	3
A G Chinembiri (Managing Director)	4
E T Z Chidzonga	4
M Gumbo	4
C Makoni	3
C Mandizvidza	4
K P Matsikidze	4
L Mawire	4
M Mkushi	4
R Mutandagayi	4

Directorate

Bothwell P Nyajeka
(Non-Executive Chairman)

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



Elisha N Mushayakarara
(Group Chief Executive Officer)

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

Fanuel Kapanje
(Group Finance Director)

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

Eria Hamandishe
(Non-Executive Director)

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

Elliot Munemo
(Non-Executive Director)

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

Thamsanqa P B Mpofu
(Non-Executive Director)

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

Dr Christopher U Hokonya
(Non-Executive Director)

Doctorate in Applied Economics (Seoul National University of South Korea); Masters in Business Adminstration - Banking and Finance (University of Wales, Bangor); 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); Associate - Chartered Institute of Management Accountants; Associate - Institute Chartered Secretaries and Adminstrators Bachelor of Business Studies (University of Zimbabwe)

2012 Corporate Social Investment (CSI) Programme

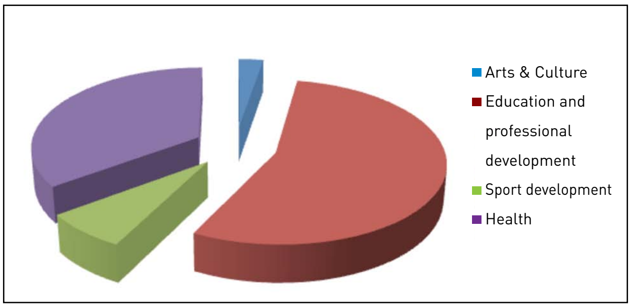
ZB Financial Holdings strives to be a responsible corporate citizen and as such commits a portion of its earnings towards improving the general quality of life in all the environments it operates from. The primary objectives of the Group's CSI programme are;

- To establish and maintain good relations with the communities in which it operates,
- To foster goodwill and to improve the lives of the people within those communities,
- To promote activities that bring economic, social and environmental benefits to the population.

Key areas of focus during 2012 were;

- Education and professional development
- Health
- Sport development
- Arts and Culture

Investment Spread per Sector



The following were some of the initiatives that were undertaken:

Tose Respite Care Home

Tose was registered as a national Welfare Organisation in 1992. It is a home that offers rehabilitation to patients with severe mental and physical handicaps in Zimbabwe and was opened after an extensive research excercise by the founding director Mrs. Desi Page (nee Matongo) established a significant need in that area.

The Group assisted the home with groceries and entertainment facilities for the inmates.

Mr S K Chiganze, the Executive Head of Business Development, hands over donation to the Director of Tose Respite Home, Mrs Faranisi

Mayors' Christmas Cheer Funds

The Mayors' Christmas Cheer Funds are some of the country's key charity initiatives. Each year ZB supports Cheer Funds across the country with donations. Cash donations were made to all major towns and cities for onward transmission to selected charities which included homes for the disadvantaged children, the elderly and the disabled.

Nyamhunga Clinic

ZB Bank conducted an official opening of its branch in Kariba. As part of the celebrations, a donation in the form of clinic beds and medical drugs to Nyamhunga Clinic, a primary health care facility that serves the majority of residents in Kariba, was made.

2012 Corporate Social Investment (CSI) Programme

Beds donated to Nyamhunga clinic

The Group Chief Executive Officer for ZB Financial Holdings, Mr E N Mushayakarara, presents a cheque to Nyamhunga Clinic.

Two schools, Mahombekombe Primary School and Nyamhunga High School, received donations of uniforms for various art forms.

Nyamhunga School Drum Majorettes in their new kit donated by ZB.

Mahombekombe Primary School Traditional Dancers

Zimbabwe Medical Association (ZIMA) Clinic Outreach

Responding to call to make medical consultations services available to the less priviledged members of society ZIMA conducted free medical consultations at clinics in Mutare, Harare and Bulawayo. During these clinics patients had the opportunity to receive treatment from medical specialists free of charge. The Group participated in this initiative by donating cash which went towards medication and the travel costs for the doctors.

Donations to Universities and schools

Cash donations were made to the Midlands State University, the Women's University, Chinhoyi University and Gweru Polytechnical College. Funds donated supported capital projects, procurement of education aids and sporting activities.

Additionally more than 50 schools benefited from the CSI programme. A significant amount was targeted towards the purchase of books, sports equipment and rehabilitation of school buildings.

2012 Corporate Social Investment (CSI) Programme

Teachers pose with sports equipment donated to Visitation High School for the inter schools sports day

St Pauls Mission, Musami basketball team pose with their new kit

Harare International Festival of Arts (HIFA)

The Group continued to contribute to the development of arts and culture through its sponsorship of HIFA. In keeping with the theme for HIFA 2012, "A show of Spirit", ZB was accreditated as venue sponsors for Reps Theatre and provided buses which ferried people to the various shows across the city.

Outside ZB Reps Theatre

ZRP Sports Gala

In recognition of the critical role played by ZRP in the community, the Group was pleased to donate sport kits to members of the force for the annual commissioner's sports gala.

ZRP Bulawayo unit attending the annual sports day in sport kits sponsored by ZB Bank

Event Sponsorships

The Group believes in creating strong relations with the business community and professional bodies. In this regard, the brand participated at the following events;

- CEO Round Table
- Cotton Ginners Association
- Chamber of Mines Annual General Meeting
- Zimbabwe Association of Pension Funds (ZAPF) Annual General Meeting
- Zimbabwe Institute of Management Manager of the Year awards dinner
- Zimbabwe National Chamber of Commerce (ZNCC) conference
- Institute of Chartered Accountants (ICAZ) events including student seminars and winter school
- Zimbabwe Anesthetist Association Annual General Meeting
- Zimbabwe School of Mines Graduation
- Mining Indaba
- Rural District Council Conference
- Urban Councils Financial Directors Conference
- Credit Insurance Management Conference
- Wild Life and Safari Auction.
- Women Excel Conference

2012 Corporate Social Investment (CSI) Programme


Guests receive a token of appreciation at the Rural District Councils Conference hosted by ZB

Guests registering at Mining Indaba


Entertaining clients at the ZB stand at Mining Indaba


ZB Ladies attending the Women Excel Conference

Other beneficiaries

Further donations and sponsorships were made to; Royal Harare Golf Captain's Charity Cup, Marondera School of Nursing Graduation and Harare Hospital Graduation. Blankets, groceries and beds were given to Melfort Old People's Home.


Nurses at the Marondera School of Nurses Graduation

Exhibitions

Zimbabwe International Trade Fair – ZITF

ZITF remains as one of the major events on the annual business calendar in Zimbabwe. The Group continued to participate in this showcase which provided a platform for its various units to network with key stakeholders and customers. In addition to offering banking services the Group sponsored bags that were given to delegates and carried out roadshows and hosted a stakeholders and customer cocktail.

2012 Corporate Social Investment (CSI) Programme

Dancers entertaining guests at a stakeholders cocktail on the sidelines of the ZITF

Agribusiness clients following proceedings

Harare Agricultural Show

The Harare Agricultural Show has grown to more than just an agricultural show but a business and commerce showcase. The ZB Bank branch at the showground was open for business during the show. Product roadshows were also conducted at the branch. In addition to events at the show grounds the Group facilitated the interation of farming customers and agro-suppliers by hosting a luncheon at which presentations by eminent economics and agricultural practitioners were done.

Branch roadshow

Bothwell Patrick Nyajeka
(Non-Executive Chairman)

> "The informal sector became a major driver of economic activity and, to an extent provided a safety valve which absorbed excess labour from the formal market. "

OPERATING ENVIRONMENT

The economy maintained a positive growth path in 2012, although the growth rate was revised to 4.4% against an initial projection of 9.2%. This was mainly a result of challenges arising from the tight liquidity which affected both the public and private sectors.

A significant external debt overhang continued to militate against efforts to mobilise capital inflows whilst fiscal revenues were overstretched against multiple demands.

Ageing infrastructure, poor export performance, and unreliable utility provisions particularly in respect of power and water, adversely affected performance in the productive sector.

Economic growth was mostly spurred by activity in the mining and agricultural sectors. The informal sector became a major driver of economic activity and, to an extent provided a safety valve which absorbed excess labour from the formal market.

Capacity utilisation in the manufacturing sector declined from 57% to 44%, while imported goods comprised about 70% of products in retail outlets. As a result, the cumulative trade deficit widened by 17% from US$3 billion in 2011 to US$3.6 billion in 2012.

Zimbabwe's year-on-year inflation was stable and averaged 3.75% in 2012, while the month-on-month inflation ranged between -0.2% and 0.5%.

Capital markets continued to underperform with the mining index down by a massive 36.3%, while the industrial index added a paltry 5.3%. On the other hand, activity on the money market remained relatively subdued, owing to the lack of tradable financial instruments, the absence of an active inter-bank market and lender of last resort. Overall, money supply grew by 28% from US$3.1 billion at the beginning of January 2012 to US$3.97 billion at the end of December 2012.

THE GROUP'S PERFORMANCE

The Group posted a profit after taxation for the year of US$7.8 million, being an 11% increase from the profit posted in 2011.

The Group has maintained a steady growth trend with total assets having increased by 20% during the year under review.

The financial performance is discussed in more detail in the Group Chief Executive's report.

SHARE BUY-BACK

A total of 16 231 843 of the Company's issued share capital, representing 9.27% of the shares in issue have been purchased since the inception of the share buy-back scheme in 2010 at a cumulative average price of US$0.10 per share. The shares have been retained as treasury shares.

DIVIDENDS

The Directors have proposed payment of a final dividend of 0.16 cents per share which will bring the total dividend for the year under review to 0.34 cents per share.

CAPITALISATION AND FUTURE PROSPECTS

The Group hopes to complete the merger of ZB Bank Limited and ZB Building Society before the end of the current financial year in order to achieve greater efficiencies in capital deployment.

Efforts towards the overall recapitalisation of the Group's operations have gathered momentum and should see the injection of further liquidity into the Group's operations. It is hoped that positive results will have been achieved by June 2014.

LITIGATION AND MATERIAL DISCLOSURES

The appeal in which Transnational Holdings Limited is challenging the acquisition of Intermarket Holdings Limited by the ZB Group is still pending at the Supreme Court of Zimbabwe.

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

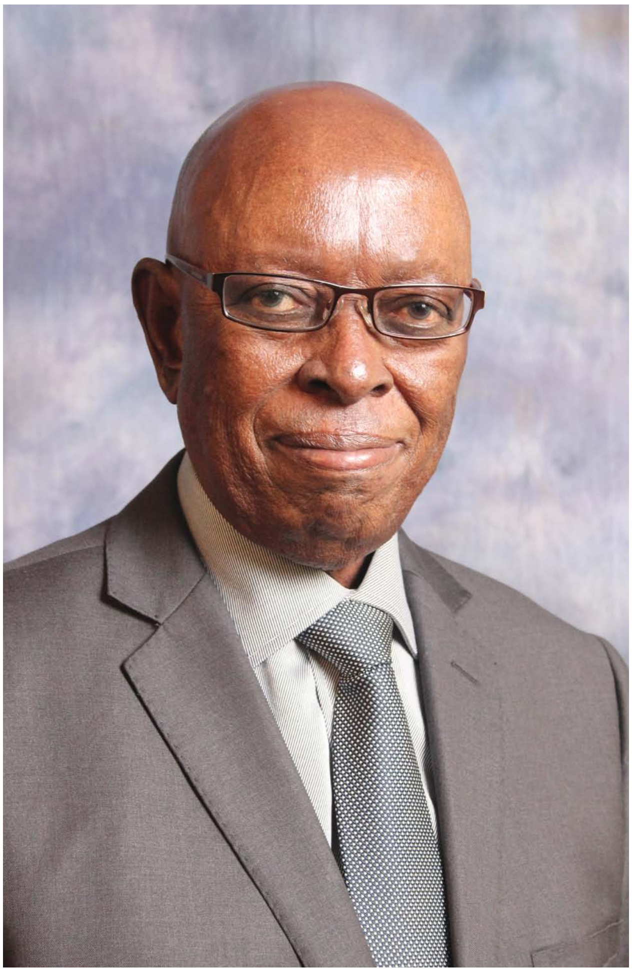
On behalf of the Board, I wish to thank management and staff for their effort during the past year.

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

Finally, I would like to thank all directors in the ZBFH Group for their wise counsel and commitment to the business of the Group.

B P Nyajeka
Chairman

28 March 2013
Harare



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

"The absence of significant operating lines of credit, coupled with an imperfect inter-bank market continued to militate against asset creation and profitability within banking operations."

Interest margins remained tight for the second half of the year under review whilst the capital markets continued to underperform with material consequences on the Group's performance.

The Group's total assets recorded an increase of 20% on the back of a 28% increase in total deposits. A significant portion of the Group's assets remained deployed in non-earning cash balances in order to deal with the liquidity squeeze arising from the overall low deposit base, lack of lender of last resort and an inactive interbank market.

The Group posted a Profit before taxation of $9.1 million, being a 1% increase from the prior year profit of $9.0 million. This was despite a reduction in operating profit of 40% from $15.1 million to $8.9 million, driven by 13% increase in total expenses against a 3% increase in revenue.

The resultant profit before taxation is enhanced by a 44% reduction in loan loss provisions and a 156% better outturn on the movement in the life assurance fund.

A profit after taxation of $7.8 million was posted against $7.0 million in the prior year with $6.7 million being attributable to shareholders of the parent company (2011 - $5.8 million)

The operating costs to total revenue closed the year at 90% as pressure mounted on expenditure driven by staff expenses and administrative expenses that, hitherto, had been deferred in order to ensure that costs were not incurred beyond the capacity of the Group's operations.

A net credit of $4.0 million (2011 - $2.0 million) arose from the revaluation of owner occupied properties bringing the total comprehensive income for the year to $11.8 million, a 31% increase from the $9.0 million posted in 2011. An amount of $9.3 million of the total comprehensive income is attributed to the owners of the parent company.

REVIEW OF OPERATIONS

BANKING

Deposits remained largely transient in an environment where liquidity risk is a prominent feature affecting operations. Consequently, the ability to provide long dated credit to customers has remained constrained.

The absence of significant operating lines of credit, coupled with an imperfect inter-bank market continued to militate against asset creation and profitability within banking operations.

Furthermore, generally pervasive credit risk assumed heightened prominence on the market with numerous corporate failures being reported. Resultantly, a slow-down in credit expansion was observed.

Despite the above mentioned challenges, both ZB Bank Limited and ZB Building Society posted satisfactory results.

ZB BANK LIMITED

The Bank posted a profit of $5.6 million, being a 34% reduction from the $8.5 million recorded in 2011. Excluding the impact of non-recurring fair value credits, the reduction in profit before taxation amounts to 21% year-on-year and is driven by normalisation adjustments on the cost base as some of the expenses deferred in prior years were incurred during the year.

Total assets increased by 28% on the back of a 30% increase in deposits which rose from $157.2 million to $204.3 million.

The Bank opened branches in Karoi and Redcliff whilst agencies were opened at Millennium and Premier Tobacco Auction Floors, Chinhoyi University, Midlands State University and the Mbare informal market (Siyaso).

Four (4) new products were launched during the year targeting long term saving clients, trust account holders, informal traders and students. On the other hand, the Executive Banking product offering was revamped and relaunched in June 2012.

Further enhancements were carried out on the electronic banking platform to facilitate electronic bill payment for a number of merchant clients and utility service providers.

In addition, 10 new Automated Teller Machines (ATMs) and 100 Point of Sale (POS) machines were deployed during the year.

ZB BUILDING SOCIETY

Total assets under the Building Society increased by 19% from $35.8 million in 2011 to $42.5 million in 2012. Deposits increased by 30% to close at $19.7 million in 2012.

Despite a 30% increase from 2011, the mortgage book remained low at $5.9 million.

The Society posted a profit of $0.9 million in 2012 representing a 61% reduction compared to a profit of $2.2 million in 2011. The 2012 outturn is impacted on negatively by a fair value loss of $0.8 million (2011 - profit of $0.3 million) arising from the revaluation of investment properties.

However, the Society recorded a total comprehensive income of $2.2 million (2011- $2.7 million) after accounting for the revaluation of owner occupied properties.

The Springvale property development project in Ruwa was completed during the year and 176 out of 395 stands available had been sold by the end of the year. 120 of the remaining stands are earmarked for the development of super structures.

INSURANCE

ZB LIFE ASSURANCE LIMITED

A high level of policy terminations continued to impact negatively on the level of collectible premiums whilst the major focus for the year was towards mobilising a quality policy book.

Gross premium income increased by 10% from $6.1 million in 2011 to $6.7 million in 2012. Total income was however negatively affected by the fair value loss of $1.5 million which compares against a profit of $6.8 million in 2011 and is reflective of the level of market volatility on the operating results of the company.

Benefits and claims reduced by 20% from $4.5 million in 2011 to $3.6 million in 2012 whilst a transfer from the Life Fund amounting to $1.7 million was recognised during the year against a debit of $3.1 million in 2011based on actuarial valuations.

The Company posted a loss of $0.4 million against a profit of $2.2 million in 2011.

As a consequence of the reduction in the value of its listed equities, the Company's total assets reduced by 5% from $29.5 million in 2011 to $28.1 million in 2012.

ZB REINSURANCE COMPANY

Gross premiums increased by 29% from $12.5 million in 2011 to $16.1 million in 2012. A retention ratio of 83% was achieved in 2012 compared to 62% in 2011. As a result of the increased risk-taking, a claims ratio of 54% was achieved in 2012 against a ratio of 39% in 2011.

Business mobilisation commissions increased by 70% from $2.0 million in 2011 to $3.4 million in 2012 leaving the Company with an underwriting profit of $0.6 million, being a 26% reduction from the $0.8 million posted in 2011.

The Company achieved a profit of $0.8 million in 2012 spurred by a fair value credit on its investment portfolio. This represents a 39% increase from the $0.6 million posted in 2011.

FUND MANAGEMENT AND STOCK-BROKING OPERATIONS

The lacklustre performance of the Zimbabwe Stock Exchange had a negative impact on the asset management and stock-broking business in general.

Resultantly, on the back of depressed volumes, both ZB Asset Management Company Limited and ZB Securities posted negative returns for the year.

Funds under management at ZB Asset Management Company increased by 6% from $45.4 million in 2011 to $48.2 million in 2012. The company posted a loss of $0.3 million with proprietary assets having reduced by 9% from $1.1 million in 2011 to $1.0 million in 2012 as a result of losses on investment properties and listed equity investments.

On the other hand, ZB Securities posted a loss of $0.1 million in 2012 representing a 50% improvement from the $0.2 million loss posted in 2011. Total assets increased by 66% to close at $2.5 million representing increased trading activity.

OTHER OPERATIONS

The Group's associate interests, which are largely in the short-term insurance sector, contributed a modest $0.3 million (2011 - $0.1 million) to the overall profitability.

Shared service centres within the Group have also contributed significantly by providing cost protection to the operating business units whilst playing a key part in ensuring overall customer satisfaction.

OPERATIONS OUTLOOK

Budgetary provision has been made for the continuation of the channel expansion program with emphasis on low cost electronic delivery media. Branch redecorations will also continue in 2013 in an effort to continuously enhance customer experience.

INTERNAL PROCESSES AND SYSTEMS

Phase 2 of the Technology Enhancement Project commenced in November 2012. Through the suite of systems being implemented, the Group seeks to improve its risk management processes as well as better manage client data to facilitate development of tailored products for each client segment.

Continuous process improvement has remained a key area of focus as the Group's operations stand guard against the risk of loss due to error or fraudulent activity. To augment these efforts, the Group continues to review its insurance arrangements to ensure that the impact of any loss event is minimised.

HUMAN CAPITAL

The Group's staff complement as at 31 December 2012 stood at 1 617 comprising 1 026 permanent staff and 591 contract staff of which 119 were agents for ZB Life Assurance Company.

The industrial relations climate was generally good during the period under review.

In the on-going effort to improve skills, a total of 2 086 staff attendances were recorded for 137 courses conducted at the Group's Training Centre in the year under review. A total of 14 external courses and seminars were also attended by selected staff members.

Membership to the ZB Financial Holdings Group Pension Fund as at 31 December 2012 was 1 019, representing an increase of 10% from 929 as at 31 December 2011.

APPRECIATION

I would like to thank our valued clients for their continued support and pledge to continuously improve the quality of service we offer them.

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

I thank the Board Chairman and all Directors within the ZBFH Group for their contribution and the wise counsel they have rendered at all times.

Finally, I extend special gratitude to management and staff for their committed effort during the year. Their loyalty to the Group will stimulate greater success in the future.

E N Mushayakarara
Group Chief Executive

28 March 2013
Harare

Economic Overview

WORLD ECONOMY

Global economic growth momentum is estimated to have eased by 0.7 percentage points from 3.9% in 2011 to 3.2% in 2012. This was on the back of softer than expected activity in the peripheral Euro area, with some signs of stronger spillovers of that weakness to the core Euro area. In Japan, output contracted further in the third quarter of 2012. However, economic conditions improved modestly in some areas during the last two quarters of 2012, with notable acceleration in the emerging market economies, where activity picked up broadly, as expected, and the United States, where growth was on the upside. Consequently financial conditions stabilised, evidenced by declining bond spreads in the euro area periphery, while prices for many risky assets, notably equities, rose globally. Capital flows to emerging markets remained strong during the period under review.

Italy, Spain, and the United Kingdom posted notable declines in output of 2.1%, 1.4% and 0.2%, respectively, in 2012. On the other hand, China, Emerging Markets and Developing Economies, the Sub-Saharan Africa and the United States of America (USA) recorded positive economic growth rates of 7.8%, 5.1%, 4.8% and 2.3%, respectively, in 2012.

Global economic growth is projected to improve modestly from 3.2% in 2012 to 3.5% in 2013. Underpinning this growth is increased output in the advanced economies, Sub-Saharan Africa and Central and Eastern Europe as policy measures are taking effect in lowering acute crisis risks in the Euro area and the United States. However, in the Euro area, the return to recovery, after a painful contraction is likely to be protracted. Although Japan has slid into recession of late, economic stimuli packages are expected to boost growth in the near term. At the same time, policy measures taken in some emerging market economies have supported a modest growth momentum, although a sizeable number of them continue to struggle with weak external demand and domestic bottlenecks.

DOMESTIC ECONOMY

1.1 Economic Growth

While economic growth was achieved in 2012, the domestic economy grew, albeit at a slower pace when compared to 2010 and 2011 on the back of negligible gross capital formation and inflows and the high cost of capital for the productive sectors of the economy. Uncertainties arising from policy inconsistencies especially with respect to indigenisation and economic empowerment regulations, low foreign direct investment and a huge external debt overhang also contributed to the slow growth in 2012. For the productive industries, dilapidated infrastructure, obsolete technologies and machinery, which resulted in frequent breakdown of machinery, power and water shortages, and a relatively poor performance in agriculture weighed down performance. Consequently the Government revised downwards the country's economic growth for 2012 to 4.4%.

In 2013, the economy is expected to grow by 5% anchored by mining and quarrying (17.1%), agriculture (6.4%) and construction and real estate (6%). The sub-optimal equilibrium occasioned by low aggregate demand and low productivity remains a threat to sustained economic growth into the future. Furthermore, constraints on the economy, namely erratic electricity supply, shortage of finance, fragile balance of payments, polarised politics and poverty need to be comprehensively addressed going forward for the anticipated growth to be realised.

1.2 Real Sectors

1.2.1 Agriculture Sector

The country's cereal deficit widened in 2012 as maize production declined by 35% from 1.5 million tonnes realised in the 2010/2011 season to 0.968 million tonnes in the 2011/2012 season. In the 2012/2013 season, the country is projecting to harvest 1.4 million tonnes of maize.

Tobacco deliveries increased by 8.8% from 132.4 million kilogrammes (kgs) sold in the 2011 selling season to 144 million kgs in 2012. A projected figure of 170 million kgs of tobacco is expected in the 2013 selling season in view of the increase in the number of registered tobacco growers estimated at above 70,000.

In the 2012 cotton selling season, a total of 350,000 tonnes were delivered to the market, an increase of 40% from the 2011 selling season figure of 250,000 tonnes. A decline in cotton production of 19%, to 283,000 tonnes, is projected in the 2013 season, owing to an acute shortage of financiers for the production of the crop and price volatility during the selling season.

In fact, most cotton growers in areas that traditionally grow cotton have switched to the tobacco as a result of the uneconomic pricing of cotton, as high production costs continue to weigh down heavily on profit margins.

Overall, the agricultural sector is estimated to have registered a less robust growth of 4.6% in 2012 compared to 7.4% achieved 2011, and is projected to register a 6.4% growth in 2013. The growth of the agriculture sector in 2013 is expected to be anchored on increased output of sorghum (76% increase from the 2012 projection), soya beans (63%), maize (45%), tobacco (18%) and poultry (13%). However, the 2013 growth will be compromised by declines in output for sheep & goats (52%), coffee (21%) and cotton (19%).

1.2.2 Manufacturing Sector

The manufacturing sector remained depressed as capacity utilisation declined from an average of 57.2% in 2011 to 44.2% in 2012, with the leather and allied products subsector operating at capacity levels as low as 27.5% and the best performing subsector, i.e. battery manufacturing, operating at 76.5%.

Obsolete machinery, power outages, higher input costs due to lack of domestic linkages, limited availability and high cost of finance, stiff competition in the domestic and export markets due in part to the unreliability of supply-chains, and overall business uncertainty contributed to the fall in capacity utilisation levels across most manufacturing sub-sectors. Furthermore, most industries faced stiff competition from imported finished products mainly from South Africa and China. As a result, current firm stress levels remain extremely high, given a background of very low investment.

In view of the above constraining factors, the manufacturing sector is estimated to have registered a modest 2.3% growth in 2012, way below the 13.9% growth realised in 2011. In 2013, the sector is projected to grow by 3%, underpinned by implementation of the Industrial Development Policy (IDP), anticipated lines of credit, fiscal incentives as well as a favourable agriculture season. Subsectors that are expected to anchor the growth are beverages (7.4%), foodstuffs (4%), furniture (3.7%) as well as paper, printing and publishing (2.6%). The sector's capacity utilisation is anticipated to average 45% in 2013.

1.2.3 Mining Sector

The share of mining output to the country's Gross Domestic Product (GDP) has grown from an average of 10.2% in the 1990s to an average of 16.9% from 2009-2011, in the process overtaking agriculture which used to be the country's mainstay in the 1990s. However, the mining sector which largely depends on exogenously determined factors such as international prices and general demand was hard hit by slackening international mineral prices, particularly from the second quarter of 2012 on the backdrop of the slowdown in global economic activity. As a result, growth in the sector is estimated to have dropped from 25.1% in 2011 to 10.1% in 2012. However, gold deliveries to Fidelity Printers and Refiners improved by 15.7% from 11,645 kgs in 2011 to 13,474 kgs in 2012, however still falling short of the 2012 target of 15 tonnes. Platinum output decreased from 10,827 kgs in 2011 to 10,038 kgs in 2012, while nickel output was down from 7,992 metric tonnes in 2011 to 7,500 metric tonnes in 2012.

The mining sector is expected to remain the major anchor of the economy in 2013. The sector is expected to rebound to a 17.1% growth in 2013, owing to the anticipated recovery of mineral prices, coupled with on-going investment in the sector as well as the resumption of the production of nickel and asbestos. Key minerals, which are expected to underpin the sector's growth in 2013 and their respective projected growth in output from 2012 to 2013, are: diamonds (41%), coal (33%), nickel (18%), platinum and palladium (14%) and gold (13%). However, chrome is expected to decline by 33%.

Overall, the sector remains the single largest contributor to total export earnings and job creation. However, sustainability of current production levels will remain under threat from, inter-alia, erratic power supply, absence of long term funding for re-tooling and the high cost of capital.

1.2.4 Tourism

The sector is estimated to have grown by 3.9% in 2012, down from a growth of 4.3% in 2011. As at half year 2012, total tourist arrivals, by source, rose by 17% to 767,939 compared to 657,302 for the 1st half of 2011.

Zimbabwe has become the centre of attraction by international tourism stakeholders since it won the bid to co-host the 2013 United Nations World Tourism Organisation (UNWTO) General Assembly with Zambia. This is evidenced, in part, by the influx of international airlines, with 13 airlines having resumed operations via Harare, after withdrawing their services owing to the economic downturn experienced prior to the adoption of the multi-currency trading in 2009. In 2013, the sector is expected to grow by about 4%, supported by the hotels and restaurants sub-sector.

1.2.5 Information, Communication and Technology Sector

The sector continued to grow at a relatively fast pace, with other sectors now relying heavily on it. Tele-density or voice penetration improved and is estimated to have reached 79% in 2012 from 68% in 2011. On the other end, the internet penetration rate, though still below the international levels of 26.6%, but above the regional average of 11%, continued to improve steadily and is estimated to have reached 19% in 2012 from 13% in 2011. The total number of subscribers for the three local mobile service providers also grew considerably and is estimated at about 9.7 million in 2012 from 8.1 million in 2011.

Following the completion of the Harare–Mutare and Harare-Bulawayo fibre optic transmission backbone that links the country to the undersea cable in the Indian Ocean; Tel-One is extending the infrastructure to cover Bulawayo–Beitbridge and Bulawayo–Victoria Falls. The completion of the exercise is expected to result in a substantial decline in telecommunication tariffs, in the short to medium term.

1.2.6 Property Sector

The sector is estimated to have grown by 4.9% in 2012 and is likely to grow by 6.2% in 2013. For the greater part of 2012, the property market was heavily subdued mainly due to the non-availability of mortgage loans, a situation that resulted in the market being largely a buyers' market, thereby constraining the growth of the sector. The property sector also faced several other challenges, which limited growth and these included, inter-alia; insignificant infrastructural development e.g. in Harare and most other urban areas there are water shortages, poor road infrastructure and electricity supply problems. In addition, there are significantly higher construction costs in Zimbabwe for most property classes compared to the region, and weak demand for office and industrial space largely due to the scaling down of business operations as a result of the liquidity crisis in the economy. The property market has also been weighed down by high mortgage rates, high service charges from service providers such as local authorities and ZESA, etc., failure by tenants to pay rentals resulting in huge arrears and high legal charges on rental arrears collections and evictions.

In the outlook period, the fundamentals point to weak growth in the sector, occasioned by lack of long term capital. However, demand for retail space is expected to remain relatively high in the Central Business District areas as more and more players abandon manufacturing to settle for distribution of cheap imported finished products, a situation which may lead to over trading in this sub-sector.

1.3 MONETARY AND FISCAL DEVELOPMENTS

1.3.1 Money Supply Growth

According to the Reserve Bank of Zimbabwe (RBZ), broad money supply increased from US$3.145 billion in January 2012 to US$3.887 billion in December 2012 – an annual growth of 24%. This is a decline when compared to the 2011 annual growth in broad money supply of 39.8%. However, deposits held by banks, continue to be largely short term in nature. It is anticipated that the growth in money supply will recede in 2013 owing to limited investment across all sectors of the economy, occasioned by the political uncertainties arising from electioneering and the outcome of the general and presidential elections.

1.3.2 Inflation

Adverse inflationary pressures remained subdued on the back of tight liquidity conditions, depressed aggregate demand and stable international oil and world food prices. In fact, the year-on-year inflation profile followed a downward trend from 4.3% recorded in January 2012 to 2.9% in December 2012. The annual inflation average for 2012 was 3.75% which was below the regional average. The month-on-month inflation rate oscillated between -0.5% and 0.5% in 2012.

In 2013, inflation is projected to remain below 5%, underpinned by a slowdown in global food prices, steady international oil prices, improved domestic capacity utilisation and managed expectations.

The inflation outlook for 2013 will, thus, continue to be affected by external shocks, which include, among others, oil prices, food prices, the USA and South African monetary policies and the US$/Rand exchange rate.

1.3.3 Exchange Rates

Owing to the abolishment of the use of the Zimbabwean Dollar in December 2008, the RBZ's role in respect of exchange rate management has been reduced. Thus exchange rates, in 2012, were largely determined by external shocks that include, inter-alia, monetary policies of the respective currency issuers, performance of the global economy and commodities supply and demand issues.

With regards to the commonly used currencies in Zimbabwe, the US Dollar maintained an upward trend against the South African Rand for the greater part of 2012 largely owing to challenges bedevilling the Euro zone, which happens to be South Africa's major trading partner. The strengthening of the US Dollar, especially against the Rand has been favourable to the domestic economy as it helped to curtail inflation.

In the outlook period, in the absence of the use of the domestic currency, the exchange rate framework will remain a function of external shocks as aforementioned. However, notwithstanding unforeseen changes in the macroeconomic environment, the Rand is expected to remain under pressure from the Dollar, trading above ZAR9 per USD in the short to medium term.

1.3.4 Money Market and Interest Rates

Activity on the money market remained relatively subdued in 2012, owing to the lack of tradable financial instruments, and the absence of an inter-bank market and lender of last resort. However, in 2012, the RBZ, in an attempt to revive the interbank market, offered Treasury Bills to the market. However, the uptake of the financial instruments was low due to perceived inadequacies on the features of the floated paper. The uptake of Treasury bills was, therefore, low ranging from 29% to 74%, with most interest rate offers unacceptably high, as far as the Monetary Authorities were concerned. As a result, only one tender was successful out of five attempts. A total of US$9.8 million was allocated at a rate of 8.51% over 91-days.

Lending rates charged by banks in 2012 averaged over 22% per annum, while deposit rates averaged below 4% per annum in 2012. Overall, the significant gap between lending rates and deposit rates will be narrowed if there is a sustained increase in liquidity, with the Central Bank resuming its lender of last resort function in earnest. The signing of the MOU between the Central Bank and banks is also expected to result in a reduction in lending rates and bank charges in the medium to long term.

On the international market, the benchmark London Inter-Bank Offered Rate (LIBOR); 1 year LIBOR Interest rate fell by 0.2668 percentage points from 1.1146% in January 2012 to 0.8478% in December 2012 while the 90 day interest rate also fell by 0.2564 percentage points from 0.5659% to 0.3095% during the same period.

1.3.5 Equities Market

In 2012, activity on the Zimbabwe Stock Exchange (ZSE) continued to perform below expectations as the equities market remained depressed. Liquidity challenges and policy inconsistencies, especially on the indigenisation and economic empowerment regulations adversely affected the performance of the bourse in 2012. The reporting period usually associated with bullish stock activity also failed to give the stock exchange a boost. However, in October 2012, the market registered some improvement, as the overall market capitalisation surpassed the US$4 billion mark, a figure that was last realised in August 2011. This was largely as a result of increased foreign investor participation, possibly aided by proposed changes in the investment laws.

The mainstream industrial index was unstable and added 10% from 138.52 in January 2012 to 152.40 in December 2012, while the mining index lost a significant 18% from 79.09 to 65.12, during the same period. Most of the significant trades on the market in 2012 were transacted by foreign investors, with local investors playing a rather subdued role.

Market capitalisation rose from US$3.48 billion in January 2012 to US$3.96 billion in December 2012. Generally, the stock market is an indicator of the economy's health and the poor performance during the first 8 months was clear testimony that the economy faced a lot of challenges. However, the equities market performance in the last four months of 2012 was exceptionally good, largely driven by foreign investor participation.

Going forward, better performance of the equities market is likely to continue to be spurred by foreign investors. However, improvements in local liquidity levels, disposable incomes, foreign direct investment inflows, policy formulation and the political spectrum, among other things, will be key to the sustainability of the good performance.

1.3.6 Financial Sector

As at 31 December 2012, there were 22 operating banking institutions, 16 asset management companies and 150 microfinance institutions under the supervisory purview of the RBZ. Although some financial institutions faced challenges in raising the new phased capital requirements introduced by the RBZ, the financial sector remained largely stable in an environment where the Central Bank continued to be incapacitated to play its lender of last resort function.

However, deposits in the banking sector increased by 15% from US$3.4 billion in 2011 to US$3.9 billion in 2012. In tandem, loans and advances increased by 27.5% from US$2.8 billion in 2011 to US$3.5 billion in 2012. The loans to deposits ratio increased from 82% to 89% over the same period. In 2012, loans and advances were mainly deployed towards financing agriculture (19%), manufacturing (18%), distribution (17%), households (16%) and services (11%). The mining, construction, transport and communications sectors accessed relatively smaller proportions of credit extended by banks in 2012. Overall, the financial sector is estimated to have grown by 5.1% in 2012, up from 2% realised in 2011. In 2013, the sector is expected to grow by 6%.

In the short to medium term, Bank deposits are expected to remain short-term and transitory in nature, partially reflecting low income levels, the inclination towards a cash economy and generally low liquidity levels. Thus, significant and sustained recovery of the sector is premised on the recovery of the country's real sectors and the return of the lender of last resort function by the Central Bank.

1.3.7 Public Finance

The Zimbabwe Revenue Authority managed to exceed the 2012 revenue target of US$3.2 billion, despite reduced contributions from Value Added Tax (VAT) and Individual Tax. Revenue collections for the year ended December 2012 eclipsed the target after totalling US$3.4 billion. VAT and Individual Tax contributed 33% and 21% to total receipts, respectively. Collections from VAT amounted to US$1.083 billion, slightly below the target of US$1.85 billion. The increase in individual tax collections, which exceeded the target of US$645 million by 6% was attributed to the recapitalisation and improved profitability of some companies in addition to enhanced enforcement measures. Customs duty, excise duty and company tax weighed in with US$354 million, US$394 million and US$442 million, respectively. Under excise duty, fuel was the major contributor at 69% with beer adding 22%. The remainder of the revenue was generated from the sale of tobacco, wines, spirits and second-hand motor vehicles.

Going forward, the country intends to maintain a balanced budget in 2013. Total revenue of US$3.8 billion is anticipated in 2013, translating to 34.5% of GDP. Of the total expenditure, recurrent expenditure is budgeted to consume US$3.3 billion (86.4%), with only a balance of US$500 million (13.6%) earmarked for capital expenditure. With recurrent expenditure continuing to take up the bulk of the Government finances, the growth of the economy will continue to be slow, unless a form of re-adjustment is established in favour of capital expenditure, which in turn should benefit the productive sectors of the economy.

1.4 EXTERNAL SECTOR

Export shipments

The growing import dependence that the country has continued to experience on the back of persistent supply gaps, occasioned by industrial capacity under-utilisation undermined the performance of the external sector in 2012. Merchandise trade remained heavily inclined towards imports of finished consumer goods and vehicles. Exports declined significantly by 14% from US$4.496 billion in 2011 to US$3.884 billion in 2012. During the same comparative period, imports remained at more or less the same level i.e. at US$7.562 billion in 2011 and US$7.484 billion in 2012. The substantial decline in export earnings in 2012, thus culminated in the occurrence of a substantial trade deficit amounting to US$3.6 billion. Precious metals played a pivotal role in boosting export earnings. However, over-reliance on commodities is risky as they are exposed to price fluctuations on the international market, hence the dire need for a re-capitalisation agenda for the manufacturing sector to enable it to compete on the international market for exports.

In the outlook period, the subdued global economic performance projected for 2013 is envisaged to depress international commodity prices with adverse effects on the country's external sector position. In the short to medium term, export shipments are expected to remain generally depressed due to working capital constrains, obsolete equipment, poor credit lines and uncompetitive products. The overall strength of the recovery will depend on the growth performance in the key export markets and foreign investment partnership arrangements, particularly from the USA, the European Union and China.

External Debt

As at end of November 2012, Zimbabwe's external debt was estimated at more than US$10 billion and for more than a decade the country has been in default, with arrears estimated at US$6.1 billion. This scenario has constrained development cooperation with external partners, particularly in the areas of long term infrastructure investment, official development assistance and in some selected instances, private investment. Moreover, the continued growth in Government's indebtedness to various service providers which stood at US$205 million as at end of November 2012, up from US$48 million in 2009, also remained a big challenge for the fiscus.

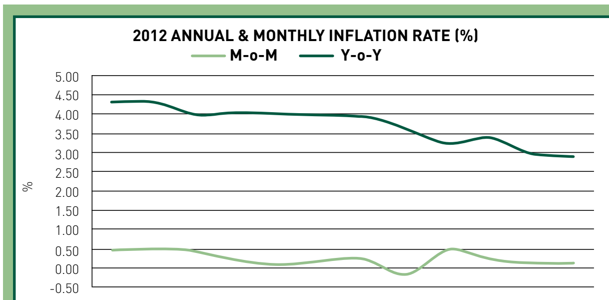
Delays in the resolution of the country's external debt continue to militate against efforts by both the public and private sectors to mobilise external lines of credit to re-capitalise operations and finance critical projects. An effective debt resolution strategy, if timely implemented, will undoubtedly unlock the much-needed external lines of credit. It is in this regard that Government has been engaging multilateral financial institutions, the International Monetary Fund, World Bank and the African Development Bank (AfDB), for debt resolution, including some debt relief under a recovery programme that would support sustainable stabilisation and boost the credibility of the reform agenda.

1.5 ECONOMIC OUTLOOK

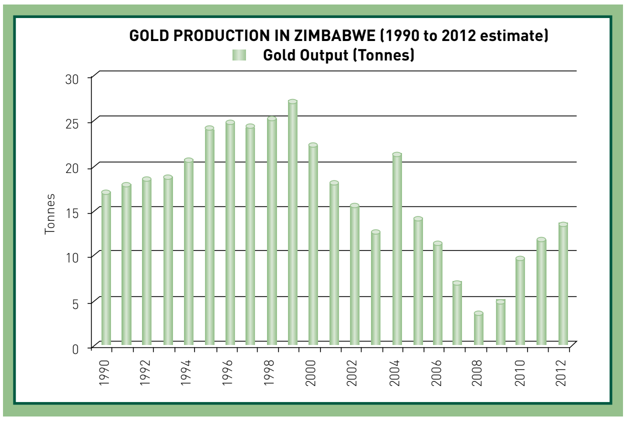
The global economy has yet to shake off the fallout from the crisis of 2008-2009. Global growth dropped to almost 3% in 2012, which indicates that about half a percentage point has been shaved off the long-term trend since the crisis emerged. This slowing trend will likely continue. Mature economies are still healing the scars of the 2008-2009 crisis. But unlike in 2010 and 2011, emerging markets did not pick up the slack in 2012, and would not do so in 2013. Uncertainty across the regions – from the post-election 'fiscal debate' question in the USA to the Chinese leadership transition and reforms in the Euro Area, will continue to have a global impact resulting in sluggish trade and tepid foreign direct investment.

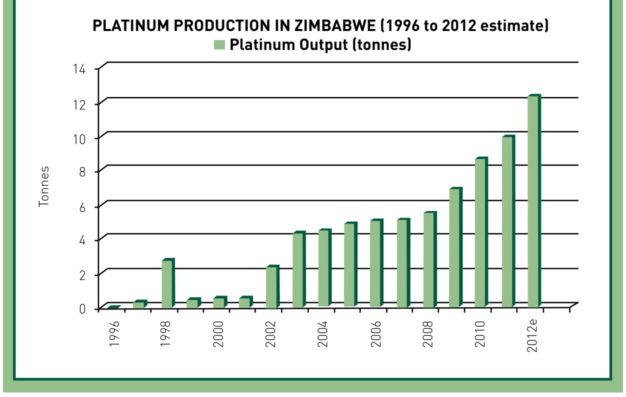
As for Zimbabwe, the political environment presents the most salient risk to the country's economic outlook. The imminent general elections are going to have an effect on the general business performance as investors and market players continue to adopt a wait and see approach. Overall, the socio-political stability of the country remains the key ingredient for successful and sustainable economic recovery.

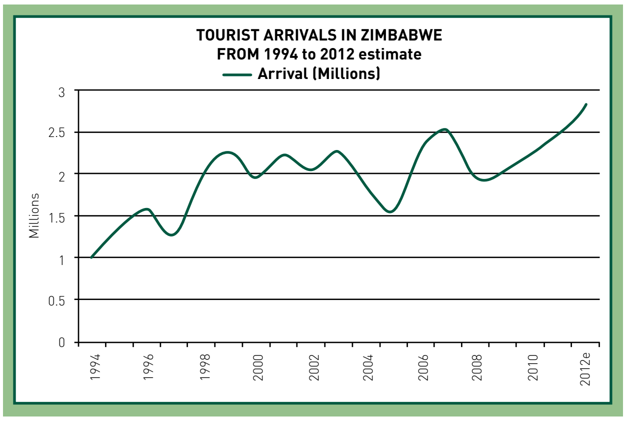
Economic Overview

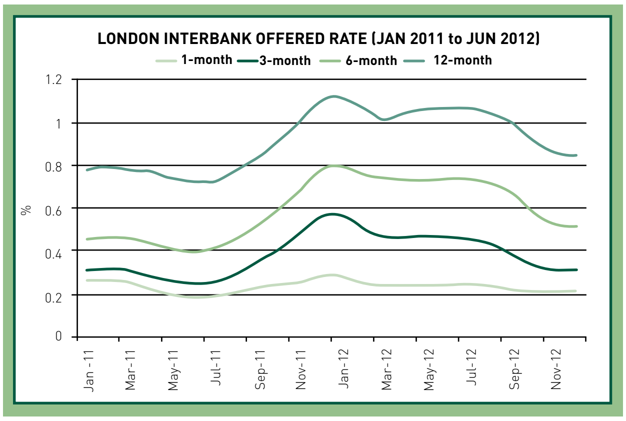


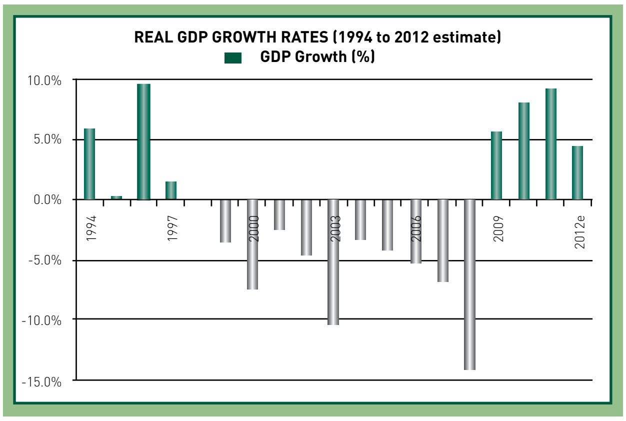
	Jan-12	Feb-12	Mar-12	Apr-12	May-12	Jun-12	Jul-12	Aug-12	Sep-12	Oct-12	Nov-12	Dec-12
M-o-M	0.46	0.49	0.43	0.19	0.07	0.2	0.23	-0.18	0.46	0.26	0.134	0.131
Y-o-Y	4.31	4.31	3.98	4.03	4.02	3.97	3.94	3.63	3.24	3.38	2.99	2.91

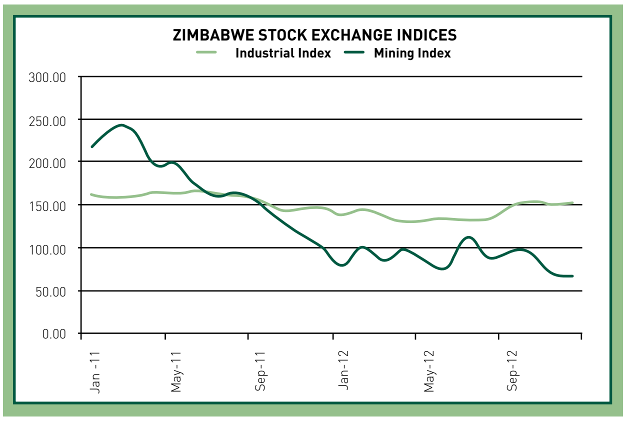


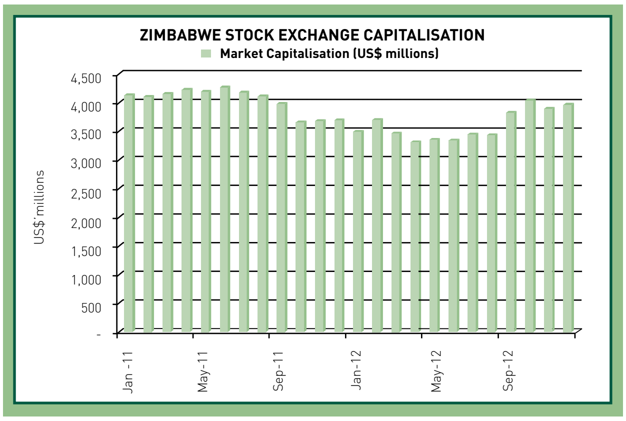




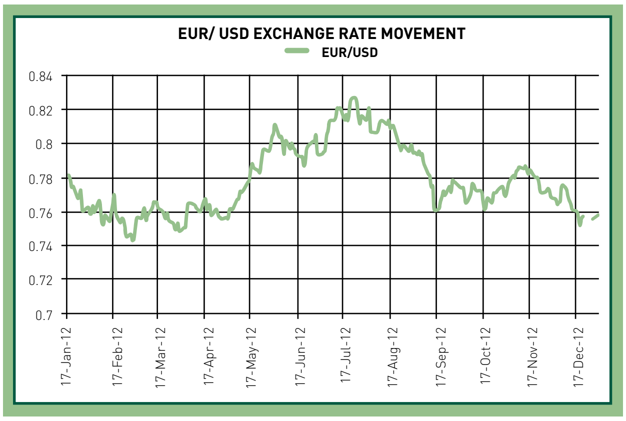


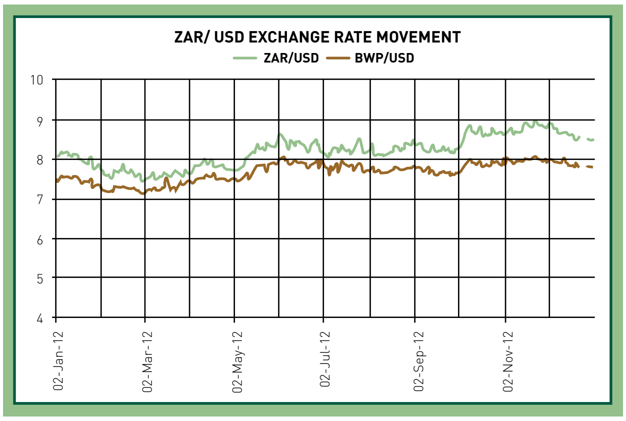


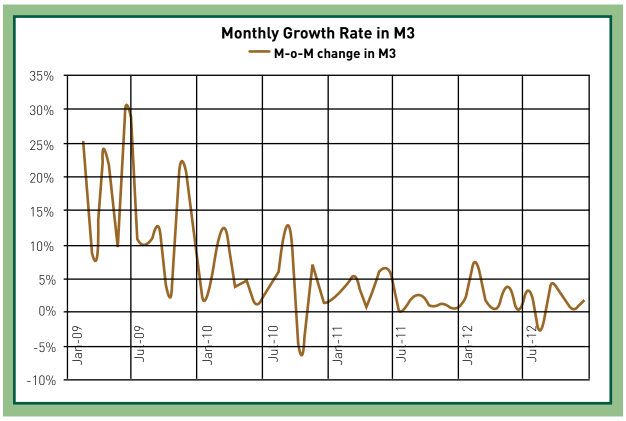


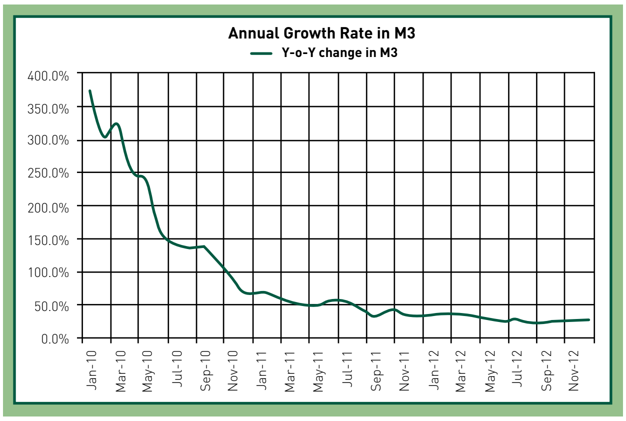


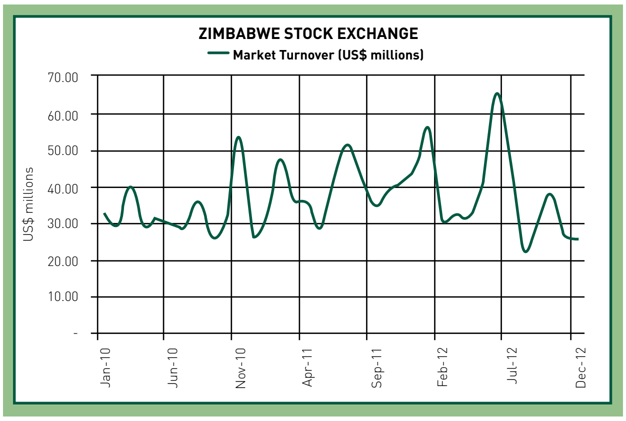
Economic Overview











Four Year Financial Review

in US$	2012	2011	2010	2009
Income Statement				
Total income	86 295 932	83 792 646	52 891 886	33 439 848
Specific and portfolio risk provision	1 750 174	3 115 231	1 045 681	226 217
Net income after tax	7 772 786	7 029 667	(2 602 080)	(1 246 339)
Attributable income	6 598 733	5 800 788	(1 037 669)	(2 462 430)
Balance Sheet				
Issued share capital	1 751 906	1 751 906	1 751 883	160 000
Shareholders' funds	52 097 021	43 500 927	36 995 420	37 479 321
Total equity	65 526 155	54 456 245	46 017 046	48 224 227
Deposits and other accounts	216 727 944	169 179 023	115 572 635	52 237 609
Cash and short term funds	69 726 565	51 954 400	41 475 536	26 165 703
Advances and other accounts	136 195 690	117 857 764	73 713 559	22 393 910
Risk provisions	6 100 941	4 350 193	1 235 536	226 217
Total assets	326 729 967	272 579 415	198 558 221	125 049 759
Statistics				
Number of shares at year end (net of treasury shares)	158 956 499	160 132 437	165 487 316	175 188 342
Weighted average number of shares	158 956 499	162 809 877	170 337 829	175 188 342
Earnings per share (cents)	4.00	3.56	(0.61)	(1.41)
Net book asset value per share (cents)	41.22	34.01	27.81	27.53
Share price at year end (cents)	8.00	20.00	14.00	3.00
Number of employees at year end	1 617	1 419	1 315	1 248
Ratios (%)				
Return on average shareholders' funds	13.81%	14.41%	-2.79%	-7.21%
Return on average assets	2.20%	2.46%	-0.64%	-2.56%
Interest income to total income	24.62%	23.87%	22.09%	9.08%
Operating expenses to total income	89.66%	82.00%	86.78%	89.77%

The directors have pleasure in presenting their report to shareholders for the year ended 31 December 2012.

Share capital

The authorised and issued share capital of the Company remained unchanged at 1 000 000 000 shares and 175 190 642 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 a profit for the year amounting to US$7 772 786 (2011: profit of US$7 029 667), with a profit of US$6 598 733 (2011: profit of US$5 800 788) being attributable to the equity holders of the parent company.

The net increase in equity arising from other comprehensive income amounted to US$4 010 517 (2011: US$1 992 758).

Total assets as at 31 December 2012 amounted to US$326 729 967 (31 December 2011: US$272 579 415).

Dividends

The Board of directors have recommended a final dividend equivalent to 0.16 cents, bringing the total dividend for the year on qualifying shares to 0.34 cents.

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 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 directors' 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.

All members of the Group Board Audit Committee are non-executive directors. The committee meets regularly with the Group's internal and external auditors and executive management to review accounting, auditing, internal control and financial reporting matters.

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

The financial statements, which appear on pages 7 to 128, were approved by the Board on 18 March 2013.

The Group's independent external auditor, KPMG Chartered Accountants (Zimbabwe), has audited the financial statements and its 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 2013. 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 resolution

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

- 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 expires at the following Annual General Meeting.

Directors

In terms of Article 68 of the Articles of the Company, Messrs T.P.B Mpofu and E Munemo retire by rotation, and being eligible, offer themselves for re-election.

The following director held shares, directly or indirectly, in the Company as at 31 December 2012:

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

Auditors

Shareholders will be requested to re-appoint Messrs KPMG Chartered Accountants (Zimbabwe) as the Group's auditor and approve their remuneration for the year ended 31 December 2013.

By order of the Board

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

HARARE
28 March 2013

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 2012

INSURANCE ACT 1987 (Sections 24 and 30)

INSURANCE REGULATIONS, 1989 (Sections 3 and 8)

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

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

ZB LIFE ASSURANCE LIMITED

AT 31 DECEMBER 2012

exceeds the amount of the liabilities in respect of those classes of insurance business by US$ 5 768 713.

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

14 March 2013

Cape Town Office (Head Office) 6th Floor, Wale Street Chambers, 38 Wale Street, Cape Town, Tel: +27 21 422 4373, Fax: +27 21 422 4378
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 Actuaries & Consultants (Pty) Ltd (A Keymix Investments Group Company) is an Authorised Financial Services Provider
Directors: K Kweyama (Chairman), A Gani (Managing Director), Prof C J B Greeff, V Faria, K Sukdav, K S Lewis
Reg No. 2002/000342/07 **FSP No.** 6832

CERTIFICATE OF THE CONSULTING ACTUARY

To the Directors,

ZB LIFE ASSURANCE LIMITED

Actuarial liabilities at 31 December 2012

I certify that the actuarial liabilities of *ZB Life Assurance Limited* at 31 December 2012 were as follows:

Type of business	US$
Life Assurance Business	5 572 320
Retirement annuity Pensions; Group Pensions; Immediate and Deferred Annuities	14 834 334
Total	20 406 654

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

14 March 2013

Cape Town Office (Head Office) 6th Floor, Wale Street Chambers, 38 Wale Street, Cape Town, Tel: +27 21 422 4373, Fax: +27 21 422 4378
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

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

INDEPENDENT AUDITOR'S REPORT 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 2012, 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 43 to 128.

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.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance 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 2012, 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
28 March 2013

Consolidated Statement of Financial Position

As at 31 December 2012

	Notes	31 Dec 2012 US$	31 Dec 2011 US$
ASSETS			
Cash and short term funds	5	69 726 565	51 954 400
Money market investments	6	13 192 365	6 613 975
Mortgages and other advances	7	136 195 690	117 857 764
Investment securities	8	29 406 810	30 828 317
Investments in associates	9.1	2 676 884	2 305 950
Other assets	10	5 058 447	4 934 835
Deferred tax asset	18.1	929 155	661 986
Intangible assets	11	9 718 994	8 303 614
Investment properties	12	16 780 703	9 412 049
Property and equipment	13	43 044 354	39 706 525
Total assets		326 729 967	272 579 415
LIABILITIES			
Deposits and other accounts	14	216 727 944	169 179 023
Amounts due to other banks		109 353	62 524
Short term borrowings	15	6 716 657	5 203 433
Trade and other payables	16	12 485 768	16 762 800
Current tax liabilities		757 460	1 566 803
Deferred tax liabilities	18.2	3 999 976	3 240 971
Life assurance funds	19	20 406 654	22 107 616
Total liabilities		261 203 812	218 123 170
EQUITY			
Share capital	20.2	1 751 906	1 751 906
Share premium	20.2	27 204 178	27 337 466
Other components of equity	20.3	16 567 880	12 660 903
Accumulated profit	20.4	6 573 057	1 750 652
		52 097 021	43 500 927
Non-controlling interests	20.5	13 429 134	10 955 318
Total equity		65 526 155	54 456 245
Total equity and liabilities		326 729 967	272 579 415

For and on behalf of the Board

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

28 March 2013

Company Statement of Financial Position

As at 31 December 2012

	Notes	31 Dec 2012 US$	31 Dec 2011 US$
ASSETS			
Investment securities	8	6 114 424	4 196 182
Investments in associates	9.1	1 363 486	1 363 486
Investments in subsidiaries	9.2	55 160 937	47 323 694
Trade and other receivables	10.2	2 813 878	832 739
Property and equipment		659 920	-
Intangible assets		10 609	-
Deferred tax asset	18	-	104 618
Total assets		66 123 254	53 820 719
LIABILITIES			
Short term borrowings	15	6 699 216	4 811 916
Trade and other payables	16	8 253 972	4 600 245
Current tax liabilities		-	85 934
Deferred tax liabilities	18	49 364	-
Total liabilities		15 002 552	9 498 095
EQUITY			
Issued capital	20.2	1 751 906	1 751 906
Share premium	20.2	27 204 178	27 660 869
Accumulated profit	20.4	22 164 618	14 909 849
Total equity and reserves		51 120 702	44 322 624
TOTAL EQUITY AND LIABILITIES		66 123 254	53 820 719

For and on behalf of the Board

B. P. Nyajeka
(Chairman)

E. N. Mushayakarara
(Group Chief Executive)

C. T. Kathemba
(Group Secretary)

28 March 2013

Consolidated income statement
For the year ended 31 December 2012

	Notes	31 Dec 2012 US$	31 Dec 2011 US$
Interest income	22.1	34 985 757	28 949 945
Interest expense	22.2	(13 741 149)	(8 944 578)
Net interest income		21 244 608	20 005 367
Gross reinsurance premium income	23	16 098 435	15 918 088
Gross life assurance premium income	24	6 738 769	6 050 547
Other operating income	25	38 332 984	33 195 149
Fair value adjustments	26	3 881 136	8 623 495
Total income		86 295 932	83 792 646
Operating expenses	27	(59 931 478)	(50 775 186)
Reinsurance expenses	28	(13 373 856)	(13 272 335)
Life assurance expenses	29	(4 071 259)	(4 662 892)
Total operating expenses		(77 376 593)	(68 710 413)
Operating income before risk provisions and taxation		8 919 339	15 082 233
Specific and portfolio provisions	7.5	(1 750 174)	(3 115 231)
Transfer from / (to) life assurance funds	19	1 700 962	(3 052 373)
Share of associate companies' profit before taxation	9.1	278 545	54 248
Profit before taxation		9 148 672	8 968 877
Income tax expense	30	(1 375 886)	(1 939 210)
Profit for the year		7 772 786	7 029 667
Profit attributable to:			
Owners of parent		6 598 733	5 800 788
Non-controlling interest		1 174 053	1 228 879
Profit for the year		7 772 786	7 029 667
Earnings per share			
Basic and fully diluted earnings per share (dollars)	31	0.04	0.03

Consolidated Statement of Comprehensive Income
For the year ended 31 December 2012

	Notes	31 Dec 2012 US$	31 Dec 2011 US$
Profit for the year		7 772 786	7 029 667
Other comprehensive income:			
Gains on property revaluation	20.3.2	4 933 933	2 047 238
Share of associate companies' revaluation reserve	20.3.2	936	64 488
Income tax relating to components of other comprehensive income	20.6	(924 352)	(118 968)
Other comprehensive income for the year net of tax		4 010 517	1 992 758
Total comprehensive income for the year		11 783 303	9 022 425
Total comprehensive income attributable to:			
Owners of the parent		9 278 933	7 589 609
Non-controlling interests		2 504 370	1 432 816
		11 783 303	9 022 425

Company Income Statement
For the year ended 31 December 2012

	Notes	31 Dec 2012 US$	31 Dec 2011 US$
Interest income	22	38 889	443 792
Interest expense	22	(458 523)	-
Net interest income		(419 634)	443 792
Other operating income	25	9 830 516	5 236 803
Fair value adjustments	26	7 790 121	8 225 601
Total income		17 201 003	13 906 196
Operating expenses	27	(7 938 117)	(6 663 145)
Profit before taxation		9 262 886	7 243 051
Income tax (expense) / credit	30	(153 982)	106 604
Total income for the year		9 108 904	7 349 655

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2012

	Ordinary shares	Share premium	General reserve	Properties revaluation reserve	Retained income	Attributable to equity holders of parent	Non-controlling interests	Total
	US$	US$	US$	US$	US$	US$	US$	US$
Balance at 1 January 2011	1 751 906	27 927 781	845 721	9 207 215	(2 737 180)	36 995 443	9 021 626	46 017 069
Changes in equity for 2011:								
Issue of share capital	-	-	-	-	-	-	7 066	7 066
Treasury shares	-	(590 315)	-	-	-	(590 315)	-	(590 315)
Arising from redenomination of share capital	-	-	-	-	-	-	-	-
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	1 751 906	27 337 466	1 664 867	10 996 036	1 750 652	43 500 927	10 955 318	54 456 245
Changes in equity for 2012:								
Treasury shares	-	(133 288)	-	-	-	(133 288)	-	(133 288)
Total comprehensive income for the year	-	-	-	2 680 200	6 598 733	9 278 933	2 504 370	11 783 303
Regulatory reserve in respect of doubtful debts	-	-	1 159 923	-	(1 129 369)	30 554	(30 554)	-
Transfer from retained income	-	-	-	66 854	(66 854)	-	-	-
Dividends paid	-	-	-	-	(580 105)	(580 105)	-	(580 105)
Balance at 31 December 2012	1 751 906	27 204 178	2 824 790	13 743 090	6 573 057	52 097 021	13 429 134	65 526 155

Company Statement of changes in equity
For the year ended 31 December 2012

	Ordinary shares US$	Share premium US$	Retained income US$	Total US$
Balance at 1 January 2011	1 751 906	27 927 781	7 560 194	37 239 881
Changes in equity for 2011:				
Treasury shares	-	(266 912)	-	(266 912)
Total income for the year	-	-	7 349 655	7 349 655
Balance at 31 December 2011	1 751 906	27 660 869	14 909 849	44 322 624
Changes in equity for 2012:				
Treasury shares	-	(456 691)	(1 566 627)	(2 023 318)
Total income for the year	-	-	9 108 904	9 108 904
Dividend paid	-	-	(287 508)	(287 508)
Balance at 31 December 2012	1 751 906	27 204 178	22 164 618	51 120 702

Consolidated Statement of Cash flows

For the year ended 31 December 2012

	Notes	31 Dec 2012 US$	31 Dec 2011 US$
Cash flows from operating activities	32	26 837 718	22 296 057
Income taxes paid		(2 709 199)	(2 297 880)
Dividend paid		(580 105)	-
Net cash generated from operating activities		23 548 414	19 998 177
Cash flows used in investing activities			
Purchase of investment properties		(143 934)	(205 091)
Purchase of intangible assets		(3 035 445)	(4 707 138)
Purchase of property and equipment		(2 786 480)	(3 225 693)
Proceeds on disposal of property and equipment		122 205	45 028
Purchase of investment securities		(2 808 498)	(2 157 065)
Proceeds on disposal of investment securities		3 009 191	2 301 895
Acquisition of investment in associate		-	(988 000)
Net cash used in investing activities		(5 642 961)	(8 936 064)
Cash flows used in financing activities			
Purchase of treasury shares		(133 288)	(590 315)
Proceeds on issue of capital		-	7 066
Net cash used in financing activities		(133 288)	(583 249)
Net increase in cash and short term funds		17 772 165	10 478 864
Cash and short term funds at beginning of year		51 954 400	41 475 536
Cash and short term funds at end of year		69 726 565	51 954 400
Cash and short term funds comprise:			
Cash		41 295 499	23 099 509
Local bank accounts		21 235 916	21 430 106
Foreign bank accounts		7 195 150	7 424 785
		69 726 565	51 954 400

Company Statement of Cash flows
For the year ended 31 December 2012

	31 Dec 2012 US$	31 Dec 2011 US$
Cash flows from operating activities		
Income before taxation	9 262 886	7 243 051
Adjustments for:		
Fair value adjustments	(7 790 121)	(8 225 601)
Increase in other assets	(1 981 139)	(224 915)
Increase in other liabilities	3 653 729	3 709 889
Cash flows from operating activities	3 145 357	2 502 424
Taxation paid	(85 934)	-
Dividend paid	(287 508)	-
Net cash generated from operating activities	2 771 915	2 502 424
Cash flows used in investing activities		
Purchase of investment securities	(1 965 366)	(966 379)
Acquisition of investment in associate	-	(1 177 516)
Acquisition of subsidiary	-	(1 622 297)
Acquisition of property and equipment	(659 920)	-
Acquisition of intangible assets	(10 609)	-
Net cash used in investing activities	(2 635 895)	(3 766 192)
Cash flows used in financing activities		
Purchase of treasury shares	(2 023 318)	(266 911)
Net increase in cash and short term funds	(1 887 300)	(1 530 679)
Cash and short term funds at beginning of year	(4 811 916)	(3 281 237)
Cash and short term funds at end of year	(6 699 216)	(4 811 916)
Cash and short term funds comprise:		
Short term borrowings	(6 699 216)	(4 811 916)

1. NATURE OF BUSINESS

ZB Financial Holdings Limited "the Company", 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 banking, 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 the reported financial performance and/or financial position

Amendments to IAS 12
Deferred Tax – Recovery of Underlying Assets (effective for annual period beginning on or after 1 January 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.

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 18.

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.

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

Amendments to IFRS 7 *Disclosures – Transfers of Financial Assets (effective for annual period beginning on or after 1 July 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.

Amendments to IFRS 1 *Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters (effective for annual period beginning on or after 1 July 2011)*

The amendments to IFRS 1 eliminate the need for companies adopting IFRSs for the first time to restate derecognition transactions that occurred before the date of transition to IFRSs. These amendments are also meant to provide guidance on how an entity should resume presenting financial statements after a period when the entity was unable to comply with IFRSs because its functional currency was subject to severe hyperinflation.

The directors do not anticipate that the adoption of these amendments will have a significant impact on the Group's reported consolidated financial statements.

Improvements to IFRSs 2009 – 2011 Cycle *issued in May 2012*

The application of *Improvements to IFRSs* issued in 2012 has not had any material effect on amounts reported in the consolidated financial statements.

Amendments to IFRSs include the following:-

- Amendments to IAS 16 *Property Plant and Equipment* – clarifies that spare parts, stand-by equipment and servicing equipment should be classified as property, plant and equipment when they meet the definition of property, plant and equipment under IAS 16 and as inventory otherwise. The directors do not anticipate that the amendments to IAS 16 will have a significant effect on the Group's consolidated financial statements.
- Amendments to IAS 32 *Financial Instruments :Presentation* – clarifies that income tax relating to distributions to holders of an equity instrument and to transaction costs of an equity transaction should be accounted for in accordance with IAS 12 *Income Taxes*. The directors anticipate that the amendments to IAS 32 will have no effect on the Group's financial statements as the group has already adopted this treatment.

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 not yet effective.

New standard	Effective date	Major requirements
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. • 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

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

New standard	Effective date	Major requirements
IFRS 9 *Financial Instruments*	1 Jan 2015	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. Extensive guidance has been added in IFRS 10 to deal with complex scenarios. The directors anticipate that IFRS 10 will be adopted in the Group's consolidated financial statements for the annual period beginning 1 January 2013. The directors further anticipate that the application of the new Standard will affect the amounts reported in the financial statements and that this will result in more extensive disclosures in the financial statements.

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

New standard	Effective date	Major requirements
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.
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.

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 (continued)*	1 Jan 2013	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. 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.

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

New standard	Effective date	Major requirements
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.
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.

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

New standard	Effective date	Major requirements
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.
Amendments to IFRS 7 and IAS 32 *Offsetting Financial Assets and Financial Liabilities*	1 Jan 2014	The amendments to IAS 32 clarify the existing application issues relating to the offset of financial assets and financial liabilities requirements. Specifically, the amendments clarify certain aspects, focused on four main areas, namely: • The meaning of 'currently has a legally enforceable right of set-off' • The application of simultaneous realisation and settlement • The offsetting of collateral amounts and • The unit of account for applying the offsetting requirements. The adoption of amendments will not have a significant impact on the Group's financial statements.
Amendments to IFRS 10, IFRS 12 and IAS 27 Investment entities	1 Jan 2014	The amendments clarify that a qualifying investment entity is required to account for investments in controlled entities, as well as investments in associates and joint ventures, at fair value through profit or loss; the only exception would be subsidiaries that are considered an extension of the investment entity's investment activities. The consolidation exemption is mandatory and not optional.

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

New standard	Effective date	Major requirements
Amendments to IFRS 10, IFRS 12 and IAS 27 Investment entities (continued)	1 Jan 2014	This amendment will result in the Group having to account for investments in controlled entities as well as investments in associates and joint ventures, at fair value through profit or loss. The directors anticipate that the adoption of these amendments will have a significant impact on the reported consolidated financial of the Group. The Group will therefore early adopt the amendments with effect from 1 January 2013.

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 under note 2.2.2 below).

- That the Group will continue operating as a going-concern into the future, being able to generate or access resources to meet both regulatory and operational capital requirements. Regulatory capital requirements in the Zimbabwean banking and insurance sectors are presently under review.

- The Directors have assessed the Group's total asset holdings relative to its cash-flow requirements and the practicality of trading in those assets and have confirmed the Group's constructive intention and ability to extract value from the assets on a "best use" basis on all non-monetary assets and a "best case" basis in the case of monetary assets. The total portfolio of non-monetary assets amounted to US$78 208 537 whilst non-cash monetary assets amounted to US$178 794 865.

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 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.

2.2.2.1 Fair value adjustments of money market investments (continued)

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.

2.2.2.2 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.

2.2.2.3 Valuation of property and equipment and investment properties

In the current year properties were revalued at 31 December 2012 on the basis of a valuation done by Knight Frank Zimbabwe (2011 – Bard Real Estate) who are independent valuers not related to the Group. Knight Frank Zimbabwe 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 after application of the following broad methodology.

- The **Investment Method** was applied on all income producing properties. Market capitalization rates were derived from market sales evidence and were determined in consultation with other investors and property brokers in the market.

- The **Direct Comparison Method** was applied on all residential properties, including marine equipment. Knight Frank identified various properties that have been sold or which were on sale and situated in comparable areas using the Main Space Equivalent (MSE) principle. The total MSE of comparable areas was then used to determine the value per square meter of MSE.

- Rental and investment yield assumptions where as follows:

	Average rentals per square meter	Average investment yield
Office	US$5 – US$7	9% - 11%
Retail	US$8 – US$15	9% - 11%
Industrial	US$3 – US$5	11% - 14%

- The **Residual Value Method** was used for the Group's investment in a large undeveloped freehold property. Residual Value is determined from deducting imputed project costs and an allowance for a developer's profit from the Gross Realization Value of the presumed alternative best use of the property.

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

In the case of the Group's 60% share in a substantial peri-urban property measuring 598hactares, it was assumed that the best alternative use for the land is development for residential settlement on a mixed use basis.

Other general assumptions made were as follows:-

Land selling price per square meter after development	US$20.00 to US$35,00
Cost of servicing land per square meter	US$10.00 to US$12.00
Imputed finance cost during development term	12%
Imputed developers profit	20%

The property market has generally been unstable and characterized by low volumes of recorded transactions thus affecting the development of valuation assumptions.

The directors have applied prudence in adopting the values reported in the financial statements.

The financial effect of the revaluation exercise as indicated below:

	31 Dec 2012	31 Dec 2011
	US$	US$
Fair value adjustment on investment properties	5 724 720	1 057 150
Surplus on revaluation of property and equipment	4 626 353	2 047 238
Total uplift in property values	10 351 073	3 104 388

2.2.2.4 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.

2.2.2.5 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$1 923 587 (2011: US$1 162 491).

2.2.2.6 Valuation of the life fund

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

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

	Factor	
Key assumption area	**2012**	**2011**
Valuation discount rates (taxed)	8%	8%
Valuation discount rates (untaxed)	8%	8%
Expense inflation rate	4.5%	4.5%
Expected real yield rate	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 2012 is made up as follows:

	31 Dec 2012	31 Dec 2011
	US$	US$
Value of total liability	14 637 954	16 118 470
Distribution of surplus in the fund	5 768 700	5 989 146
	20 406 654	22 107 616

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

A total of US$4 494 400 (2011 – US$6 183 400) is included in the life fund as an Expense Overrun Reserve (EOR). This caters for the fact that current levels of policy related expenses exceed the related premiums from those policies. Estimation of the EOR assumed a three year period of continued expense under-recovery before a break-even level is achieved, with the period having been revised from the previous five years due to an improved business outlook and general expense stabilization.

If this assumption is borne out, the relevant portion of the reserve will be released in each of the next three 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.

2.2.2.6 Valuation of the life fund (continued)

Further, if the situation improves further over any of the next three 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 the 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.

2.2.2.7 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 portfolio loss provision at the date of the statement of financial position amounted to US$355 158 (2011: US$279 108).

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 March 2013.

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.

3.2 Basis of consolidation (continued)

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 reassessment, 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 expenses 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 interest 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.

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 comphrehensive 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.

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.

3.5.1.6 Impairment of financial assets (continued)

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.

- 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.

3.5.4 Fair values of financial instruments (continued)

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.

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	19 684 059	4 189 489	-	23 873 548

The Company had no other financial assets and liabilities that were carried at fair value, as at 31 December 2012.

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:-
  - o it is not probable that an outflow of resources will be required to settle an obligation; or
  - o 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.

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.

3.10 Foreign currency transactions (continued)

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

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

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

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

3.11 Instalment transactions

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

3.12 Taxation

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

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.

3.14.2 The Group as lessee (continued)

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 2012	31 Dec 2011
	US$	US$
No later than 1 year	415 834	267 475
Later than 1 year and no later than 5 years	2 009 777	1 114 766

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.

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 (continued)

4.1 Segment results

	Banking	Fund management	Reinsurance and life assurance	Other operations including consolidation journals	Consolidated
	US$	US$	US$	US$	US$
31 December 2012					
Total income	61 936 506	635 099	16 590 107	7 134 220	86 295 932
Net profit / (loss) contribution	11 325 888	(376 771)	1 033 853	(2 834 298)	9 148 672
Income tax (expense) / credit	(1 105 706)	79 386	(216 987)	(132 579)	(1 375 886)
Profit / (loss) for the year	10 220 182	(297 385)	816 866	(2 966 877)	7 772 786
Attributed to:					
Non-controlling interest	460 566	-	(161 071)	874 558	1 174 053
Owners of the parent	9 759 616	(297 385)	977 937	(3 841 435)	6 598 733
	10 220 182	(297 385)	816 866	(2 966 877)	7 772 786
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 (expense) / credit	(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)

4.2 Segment assets and liabilities

	Banking	Fund management	Reinsurance and life assurance	Other operations including consolidation journals	Consolidated
	US$	US$	US$	US$	US$
31 December 2012					
Operating assets	254 344 834	603 074	31 683 337	(19 726 335)	266 904 910
Property and equipment	40 963 463	28 322	1 028 581	1 023 988	43 044 354
Investment properties	12 093 700	340 000	3 947 003	400 000	16 780 703
Total assets	307 401 997	971 396	36 658 921	(18 302 347)	326 729 967
Segment liabilities	241 734 050	263 201	25 877 048	(11 427 900)	256 446 399
Shareholders' funds	62 270 388	708 195	9 541 938	(6 994 389)	65 526 132
Current tax liabilities	570 681	-	166 640	20 139	757 460
Deferred tax liabilities	2 826 878	-	1 073 295	99 803	3 999 976
Total equity and liabilities	307 401 997	971 396	36 658 921	(18 302 347)	326 729 967
31 December 2011					
Operating assets	200 519 512	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

		31 Dec 2012 US$	31 Dec 2011 US$
5.	**CASH AND SHORT TERM FUNDS**		
5.1	Balances with the Reserve Bank of Zimbabwe	21 055 296	13 684 304
5.2	Balance with other banks and cash		
	Current, nostro accounts and cash	48 671 269	38 270 096
	Total cash and short term funds	69 726 565	51 954 400
6.	**MONEY MARKET INVESTMENTS**		
	Assets classified as 'at fair value through profit and loss':		
	Fixed deposits	12 192 365	6 613 975
	Treasury Bills	1 000 000	-
		13 192 365	6 613 975

The Group invested in secured money market placements which had maturity period ranging from 7 days to 180 days with average interest rates ranging from 10% to 13% per annum.

The Bank invested in treasury bills floated by the Reserve Bank of Zimbabwe over a period of 91 days at a rate of 8.51%. The treasury bills mature in January 2013. Treasury bills are classified as investments 'at fair value through profit and loss'.

		31 Dec 2012 US$	31 Dec 2011 US$
7.	**ADVANCES AND OTHER ACCOUNTS**		
7.1	**Gross loan book**		
	Mortgage advances	5 880 248	4 532 193
	Other advances:-		
	Loans, overdraft and other accounts	97 536 292	73 983 929
	Finance leases	2 206 757	-
	Bills discounted	40 285 564	44 276 831
	Balances receivable from insurance	3 080 723	2 868 707
		143 109 336	121 129 467
	Gross advances	148 989 584	125 661 660
	Contingent assets		
	In respect of guarantees	25 366 068	27 432 858
	Gross credit exposure	174 355 652	153 094 518

	31 Dec 2012 US$	31 Dec 2011 US$
7. ADVANCES AND OTHER ACCOUNTS (continued)		
Gross advances	148 989 584	125 661 660
Less: specific and portfolio provisions	(6 100 941)	(4 350 767)
Less: interest reserved	(6 692 953)	(3 453 129)
Net advances	136 195 690	117 857 764
7.2 Maturity analysis		
On demand	32 193 237	22 297 995
Within 1 month	8 918 937	17 938 711
Between 1 and 6 months	52 267 264	56 064 912
Between 6 and 12 months	26 308 150	17 023 953
After 12 months	16 508 102	4 532 193
	136 195 690	117 857 764
7.3 Non-performing loans		
Included in the above are the following;		
Non-performing loans	27 390 294	9 016 315
Less: Specific and portfolio provisions	(6 100 941)	(4 350 767)
Less: Interest reserved	(6 692 953)	(3 453 129)
Value to be received from security held	14 596 400	1 212 419

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$22 541 048 as at 31 December 2012 (2011: US$5 805 628).

	31 Dec 2012 US$	31 Dec 2011 US$
7.4 Sectoral analysis		
Private	35 377 049	20 000 086
Agriculture	23 244 625	19 140 200
Mining	23 811 579	11 793 386
Manufacturing	30 927 036	40 763 203
Distribution	13 000 393	11 407 309
Construction	1 415 482	1 027 653
Transport	1 200 820	107 715
Services	11 532 324	11 921 979
Financial	1 891 489	4 425 785
Other	6 588 788	5 074 344
	148 989 583	125 661 660
Less: Specific and portfolio provisions	(6 100 941)	(4 350 767)
Less: Interest reserved	(6 692 953)	(3 453 129)
	136 195 690	117 857 764

	31 Dec 2012 US$	31 Dec 2011 US$
7. ADVANCES AND OTHER ACCOUNTS (continued)		
7.5 Specific and portfolio provisions		
Balance at beginning of year	4 350 767	1 235 536
Charge to the income statement	1 750 174	3 115 231
Balance at end of year	6 100 941	4 350 767

The above provisions have been established in terms of the accounting policy 3.5.1.6 in respect of doubtful debts at 31 December 2012.

7.6 Mortgage advances

All mortgage advances during the year were advanced for residential development purposes and were spread as follows:

	31 Dec 2012 US$	31 Dec 2011 US$
Type of property:-		
High density	24 613	139 668
Medium density	1 187 271	355 947
Low density	4 668 364	4 036 578
	5 880 248	4 532 193

7.7 Finance lease receivables

Loans and advances to customers include the following finance lease receivables for leases of certain equipment where the Bank is the lessor:

	31 Dec 2012 US$	31 Dec 2011 US$
Gross investment in finance leases:		
Less than 1 year	464 173	-
Between 1 and 5 years	2 321 356	507 763
Gross investment in finance leases	2 785 529	507 763
Unearned finance charges	(578 772)	(61 444)
Net investment in finance leases	2 206 757	446 319
Less than 1 year	401 096	-
Between 1 and 5 years	1 805 661	446 319
	2 206 757	446 319

	COMPANY		GROUP	
	31 Dec 2012	31 Dec 2011	31 Dec 2012	31 Dec 2011
	US$	US$	US$	US$
8. INVESTMENT SECURITIES				
Assets classified as *"fair value-through profit and loss":*				
Unit Trusts	-	-	859 855	738 693
Government and public utilities stock	-	-	402 954	-
Listed equity investments	922 668	599 799	19 684 059	22 306 636
Unlisted equity investments	225 099	-	2 926 680	2 250 071
Agrobills	4 966 657	3 596 383	-	-
	6 114 424	4 196 182	23 873 548	25 295 400
At "amortised cost"				
Bank balances	-	-	5 533 262	5 532 917
	6 114 424	4 196 182	29 406 810	30 828 317
Movement of investment securities				
Balance at beginning of year	4 196 182	3 109 844	30 828 317	23 454 293
Additions during the year:	1 965 366	966 379	2 808 498	2 157 065
- on listed equity investments	369 993	469 996	721 373	1 289 802
- on unlisted equity investments	225 099	-	227 890	5 263
- on units in unit trusts	-	-	86 000	862 000
- on Government and public utilities stock	-	-	402 961	-
- on agrobills	1 370 274	496 383	1 370 274	-
Disposals				
- on listed equities	-	-	(2 386 614)	(2 348 854)
Fair value adjustments	(47 123)	119 959	(1 843 584)	7 566 345
- on listed equities	(47 123)	119 959	(2 893 038)	7 377 908
- on unlisted equities	-	-	1 014 292	311 744
- on units in unit trusts	-	-	35 162	(123 307)
Exchange gain/(loss) on bank balances	-	-	193	(532)
Balance at end of year	6 114 425	4 196 182	29 406 810	30 828 317

	COMPANY 31 Dec 2012 US$	COMPANY 31 Dec 2011 US$	GROUP 31 Dec 2012 US$	GROUP 31 Dec 2011 US$

9. GROUP INVESTMENTS

9.1 Investments in associates

	31 Dec 2012 US$	31 Dec 2011 US$	31 Dec 2012 US$	31 Dec 2011 US$
Balance at beginning of year	1 363 486	185 970	2 305 950	1 153 684
Acquisition of shares through rights issue	-	988 000	-	988 000
Conversion of debt to equity in Alexander Forbes (Pvt) Ltd.	-	189 516	-	101 302
Share of current year movement in revaluation reserves	-	-	935	47 882
Share of current year profits before tax	-	-	278 545	54 249
Share of current year tax credit / (expense)	-	-	91 454	(39 167)
Balance at end of year	1 363 486	1 363 486	2 676 884	2 305 950

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

Name of Company	2012 % Holding	2011 % Holding	Nature of Business
Alexander Forbes (Private) Limited	40%	40%	Insurance broking
Cell Insurance (Private) Limited	43.46%	43.46%	Short-term insurance
Credit Insurance Zimbabwe Limited	42.1%	42.1%	Short-term insurance
Zimswitch Technologies (Private) Limited	27.68%	27.68%	Information Technology

	31 Dec 2012 US$	31 Dec2011 US$
Aggregated amounts relating to associate companies:		
Total assets	13 440 926	7 307 710
Total liabilities	7 393 018	1 735 077
Revenue	3 870 570	5 897 698
Profit	940 281	1 035 858
Share of profit after tax	369 998	15 082

9.2 Investments in subsidiaries

	31 Dec 2012 US$	31 Dec2011 US$
Owned by ZB Financial Holdings Limited (Company):-		
ZB Bank Limited - 100%	37 180 246	34 206 131
Scotfin Limited - 100%	306 500	306 500
ZB Holdings Limited - 100%	(534 732)	965 587
Intermarket Holdings Limited - 84.26%	17 395 290	11 165 389
ZB Securities (Private) Limited - 100%	720 563	842 529
ZB Transfer Secretaries – 100%	278 806	209 792
ZB Associated Services - 100%	(185 736)	(372 234)
Total investments in subsidiaries	55 160 937	47 323 694

9.2 Investments in subsidiaries (continued)

ZB Bank operates as a commercial bank whilst Scotfin Limited is registered to undertake asset finance business. The asset finance business operations are presently being carried out under ZB Bank Limited, leaving Scotfin Limited as a dormant company. ZB Securities (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:

	2012 % Holding	2011 % 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. ZB Stockbrokers is now in final liquidation. The Group does not expect any material claims to arise from the exercise.

	COMPANY		GROUP	
	31 Dec 2012	31 Dec 2011	31 Dec 2012	31 Dec 2011
	US$	US$	US$	US$
10. OTHER ASSETS				
10.1 Inventories				
Inventories	-	-	2 061 523	2 153 756
10.2 Trade and other receivables				
Items in transit	-	-	1 945 009	416 936
Prepayments	-	-	747 003	642 675
Sundry receivables	2 813 878	832 739	304 912	1 721 468
	2 813 878	832 739	2 996 924	2 781 079
Total	2 813 878	832 739	5 058 447	4 934 835

	31 Dec 2012	31 Dec 2011
	US$	US$
11. INTANGIBLE ASSETS		
Computer software		
Carrying amount at beginning of year	8 303 614	4 355 291
Additions at cost	3 035 445	4 707 138
Amortisation	(1 564 973)	(758 815)
Impairment	(55 092)	-
Balance at end of year	9 718 994	8 303 614
12. INVESTMENT PROPERTIES		
Carrying amount at beginning of year	9 412 049	8 623 999
Additions	143 934	205 091
Fair value adjustment	5 724 720	1 057 150
Transfers	1 500 000	(474 191)
Balance at end of year	16 780 703	9 412 049

The fair value of the Group's investment properties as at 31 December, 2012 has been arrived at on the basis of valuations carried out by independent professional valuers, Knight Frank Zimbabwe. 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 9% - 11% on rental levels of between US$5.50 – US$8.00 per square metre as set out in note 2.2.2.3. The properties are leased out under operating lease to various tenants. The initial contracts are for a minimum period of one year after which they may be extended as negotiated.

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

Rental income generated from investment properties amounted to US$1 154 284 [2011: US$1 110 753]. Repairs and maintenance costs of investment properties that generated investment income amount to US$583 153 [2011: US$118 400].

13. PROPERTY AND EQUIPMENT

	Freehold properties	Leasehold improvements	Equipment Furniture & fittings	Computer equipment	Motor vehicles & mobile agencies	Total
	US$	US$	US$	US$	US$	US$
Cost or valuation						
Balance at 1 January 2012	30 744 337	2 541 710	4 289 668	3 475 577	4 680 984	45 732 276
Surplus on revaluation	4 626 353	-	-	-	284 878	4 911 231
Additions	261 666	954 948	593 446	667 817	308 603	2 786 480
Disposals	-	-	(69 756)	(2 453)	(77 183)	(149 392)
Transfer to investment properties	(1 510 372)	-	-	-	-	(1 510 372)
Intergroup transfers	-	(105)	(145 798)	(116 053)	(369 773)	(631 729)
Balance at 31 December 2012	34 121 984	3 496 553	4 667 560	4 024 888	4 827 509	51 138 494
Accumulated depreciation						
Balance at beginning of year	452 737	855 521	816 719	1 605 876	2 294 898	6 025 751
Charge to income statement	187 592	264 394	442 617	996 123	900 179	2 790 905
Revaluation	-	-	-	-	(22 702)	(22 702)
Disposals	-	-	(15 343)	(1 211)	(41 159)	(57 713)
Transfers to investment properties	(10 372)	-	-	-	-	(10 372)
Intergroup transfers	-	(105)	(145 798)	(116 053)	(369 773)	(631 729)
Balance at 31 December 2012	629 957	1 119 810	1 098 195	2 484 735	2 761 443	8 094 140
Net book value at 31 December 2012	33 492 027	2 376 743	3 569 365	1 540 153	2 066 066	43 044 354
Net book value at 31 December 2011	30 291 600	1 686 189	3 472 949	1 869 701	2 886 086	39 706 525

13. PROPERTY AND EQUIPMENT (continued)

	Freehold properties US$	leasehold improvements US$	Equipment Furniture & fittings US$	Computer equipment US$	Motor vehicles & mobile agencies US$	Total US$
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)
Transfers	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 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 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

Immovable properties were revalued as at 31 December 2012 on the basis of valuations carried out by independent and professional valuers, Knight Frank Zimbabwe, 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 carried at the beginning of the year. Comparison of carrying values to market values indicated by auctioneers was done on a sample basis and no material discrepancies were noted.

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.

Properties with a value of US$11 175 000 (2011 - nil) had been offered as security on deposits for which a total of US$4 700 000 (2011 - nil) is included in deposits and other accounts (note 14).

	GROUP	
	31 Dec 2012	31 Dec 2011
	US$	US$

14. DEPOSITS AND OTHER ACCOUNTS

14.1 Summary of deposits by type

	31 Dec 2012 US$	31 Dec 2011 US$
Balances of banks	4 564 712	11 180 642
Current accounts	21 299 125	15 502 186
Savings and call accounts	86 435 727	66 664 315
Fixed deposits	101 113 375	74 701 173
Term deposits	3 275 208	1 035 785
Other	39 797	94 922
	216 727 944	169 179 023

A total of US$4 700 000 (2011 - nil) included in deposits and other accounts was secured by assets included in the Group's property portfolio.

14.2 Maturity analysis

	31 Dec 2012 US$	31 Dec 2011 US$
On demand	110 750 238	82 299 898
Within 1 month	77 453 503	53 176 399
Between 1 and 6 months	23 301 245	28 573 025
Between 6 and 12 months	5 297	320 827
After 12 months	5 217 661	4 808 874
	216 727 944	169 179 023

14.3 Deposit concentration

	31 Dec 2012 US$	31 Dec 2011 US$
Private individuals	39 288 846	41 790 976
Agriculture	6 436 299	6 525 138
Mining	3 972 018	1 764 877
Manufacturing	6 409 440	5 142 365
Distribution	21 539 705	5 971 534
Construction	1 677 936	1 781 777
Transport	2 141 204	1 957 376
Services	25 059 367	35 660 227
Financial	70 926 506	44 020 706
Other	39 276 623	24 564 047
	216 727 944	169 179 023

15. SHORT TERM BORROWINGS

	COMPANY		GROUP	
	31 Dec 2012	31 Dec 2011	31 Dec 2012	31 Dec 2011
	US$	US$	US$	US$
Agrobills	4 966 659	4 811 916	4 966 657	3 596 383
Offshore borrowings	-	-	1 750 000	1 607 050
Overdraft	1 732 557	-	-	-
	6 699 216	4 811 916	6 716 657	5 203 433

15. SHORT TERM BORROWINGS (continued)

Agrobills were issued by the Holding company to raise funds for the Group's farming clients for the 2012 winter crop and livestock programs. Interest rates on the bills ranged from 10% to 12% whilst the bills carried a maximum tenor of 365 days.

Offshore borrowings were made up of offshore loans raised by ZB Bank Limited, with tenures ranging from nine months to twenty eight months at an average interest rate of 5.34% per annum.

	COMPANY		GROUP	
	31 Dec 2012	31 Dec 2011	31 Dec 2012	31 Dec 2011
	US$	US$	US$	US$
16. TRADE AND OTHER PAYABLES				
Unearned premium	-	-	1 517 918	1 296 873
Incurred but not yet reported claims reserve	-	-	1 923 587	1 162 491
Income received in advance	-	-	1 400 422	1 813 845
Interest accrued on deposits	-	-	1 368 408	777 131
Items in transit	4 088 769	-	894 364	1 401 868
Accrued expenses and provisions	-	-	3 645 230	3 097 205
Policyholders claims intimated but not paid	-	-	174 442	54 469
Trade payables	4 165 203	4 600 245	1 561 397	7 158 918
	8 253 972	4 600 245	12 485 768	16 762 800
17. CURRENT TAXES LIABILITIES				
Balance at beginning of year	-	85 934	1 566 803	277 363
Charge to the statement of comprehensive income	-	-	1 899 856	3 587 320
Tax payments	-	(85 934)	(2 709 199)	(2 297 880)
	-	-	757 460	1 566 803
18. DEFERRED TAXES				
18.1 Deferred tax assets				
Balance at beginning of year	104 618	-	661 986	-
Charge to the income statement	(104 618)	104 618	267 169	661 986
Balance at end of year	-	104 618	929 155	661 986

	COMPANY		GROUP	
	31 Dec 2012	31 Dec 2011	31 Dec 2012	31 Dec 2011
	US$	US$	US$	US$
18. DEFERRED TAXES (continued)				
18.2 Deferred tax liabilities				
Deferred tax movement				
Balance at beginning of year	-	1 986	3 240 971	4 163 897
Charge to the income statement	49 364	(1 986)	(153 618)	(1 025 290)
Arising from revaluation of property and equipment	-	-	912 623	102 364
Balance at end of year	49 364	-	3 999 976	3 240 971
Net deferred tax	49 364	(104 618)	3 070 821	2 578 985
Deferred taxation comprises:				
Temporary differences arising from:				
Property and equipment	169 929	-	3 447 169	3 305 491
Assessed loss	(132 043)	(110 957)	(929 155)	(661 986)
Fair value adjustments on financial assets	11 478	6 339	955 001	511 752
General provisions and deferred income	-	-	(164 121)	(721 156)
Other	-	-	(238 073)	144 884
	49 364	(104 618)	3 070 821	2 578 985

	31 Dec 2012	31 Dec 2011
	US$	US$
19. LIFE ASSURANCE FUNDS		
Balance at beginning of year	22 107 616	19 055 243
Changes in policyholders' liabilities	(1 700 962)	3 052 373
- Premium income	6 307 106	5 931 913
- Investment and other income	5 399 568	9 373 312
- Benefits paid and surrenders	(3 639 596)	(4 544 258)
- Marketing and administration expenses	(6 690 243)	(6 800 173)
- Surplus distribution	(3 077 797)	(908 421)
Balance at end of year	20 406 654	22 107 616

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, from one party to another.

Insurance 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.

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.

19. LIFE ASSURANCE FUNDS (continued)

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

Life fund liabilities are supported by the following net assets:

	31 Dec 2012	31 Dec 2011
	US$	US$
Listed equities	7 781 506	12 157 333
Unlisted equities	3 328 267	2 867 963
Gold fund	581 912	472 148
Government and public utilities stock	402 959	-
Investment properties	2 828 736	2 574 285
Funds on deposit	5 908 442	4 312 296
Trade and other receivables	-	40 272
Gross assets	20 831 822	22 424 297
Less: Deferred tax liabilities	(245 197)	(163 168)
Trade and other payables	(174 442)	(54 469)
Income tax payable	(5 529)	(99 044)
Net assets	20 406 654	22 107 616

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

	COMPANY		GROUP	
	31 Dec 2012	31 Dec 2011	31 Dec 2012	31 Dec 2011
	US$	US$	US$	US$
20. EQUITY AND RESERVES				
20.1 Issued capital				
Company:				
Authorised:				
1 000 000 000 ordinary shares of US$0.01 each	10 000 000	10 000 000	10 000 000	10 000 000
Issued and fully paid:				
175 190 642 ordinary shares of US$0.01 each	1 751 906	1 751 906	1 751 906	1 751 906

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 824 809 358.

20.2 Fully paid ordinary shares and share premium

2012	COMPANY		GROUP	
	US$ Share Capital	US$ Share premium	US$ Share capital	US$ Share premium
Balance at beginning of year	1 751 906	27 660 869	1 751 906	27 337 466
Treasury shares	-	(456 691)	-	(133 288)
Balance at end of year	1 751 906	27 204 178	1 751 906	27 204 178

2011	COMPANY		GROUP	
	US$ Share Capital	US$ Share premium	US$ Share capital	US$ Share premium
Balance at beginning of year	1 751 906	27 927 781	1 751 906	27 927 781
Treasury shares	-	(266 912)	-	(590 315)
Balance at end of year	1 751 906	27 660 869	1 751 906	27 337 466

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

	31 Dec 2012 US$	31 Dec 2011 US$
20.3 Other components of equity		
General reserve (see note 20.3.1 below)	2 824 790	1 664 867
Properties and equipment revaluation reserve (see note 20.3.2 below)	13 743 090	10 996 036
	16 567 880	12 660 903
20.3.1 General reserves		
Balance at beginning of year	1 664 867	845 721
Regulatory reserve in respect of doubtful debts	1 190 477	312 956
Transfer from retained income	-	1 000 000
Transfer to non-controlling interest	(30 554)	(493 810)
Balance at end of year	2 824 790	1 664 867

The general reserve is used to carry the general bad debts provision computed in terms of prudential guidelines on provisioning applied internally by the Group and developed in line with provisions established by supervisory authorities. The general reserve is also used to transfer profits from retained income from time to time.

The transfer to retained income represents the release of the investment fluctuation reserve at the life assurance company following the creation of the expense overrun reserve which is incorporated into the life fund and is also meant to cater for possible fluctuations underlying the equities portfolio supporting the life fund. The release was based on recommendations from the Group's independent actuaries.

	31 Dec 2012 US$	31 Dec 2011 US$
20.3.2 Property and equipment revaluation reserve		
Balance at beginning of year	10 996 036	9 207 215
Increase on revaluation of properties	4 933 933	2 047 238
Share of associate companies' revaluation reserve	936	64 488
Transfer from retained income	66 854	-
Transfer to non controlling interests	(1 330 317)	(203 937)
Deferred tax liability arising on revaluation	(924 352)	(118 968)
Balance at end of year	13 743 090	10 996 036

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.

20.4 Accumulated profit

	COMPANY		GROUP	
	31 Dec 2012 US$	31 Dec 2011 US$	31 Dec 2012 US$	31 Dec 2011 US$
Balance at beginning of year	14 909 849	7 560 194	1 750 652	(2 737 180)
Profit attributable to equity holders of parent	9 108 904	7 349 655	6 598 733	5 800 788
Transfer to general reserves in respect of regulatory reserve for doubtful debts	-	-	(1 129 369)	(312 956)
Transfer to general reserves in respect of investments for life fund	-	-	-	(1 000 000)
Transfer to property and equipment revaluation reserve	-	-	(66 854)	-
Transfer to share premium	(1 566 627)	-	-	-
Dividend paid	(287 508)	-	(580 105)	-
Balance at end of year	22 164 618	14 909 849	6 573 057	1 750 652

	31 Dec 2012 US$	31 Dec 2011 US$
20.5 Non-controlling interest		
Balance at beginning of year	10 955 318	9 021 626
Profit attributable to non-controlling interest	1 174 053	1 228 879
Increase on revaluation of property	1 330 317	203 937
Transfer from general reserve in respect of investment in life fund	-	464 539
Arising from the issue of shares at a subsidiary company	-	7 066
Transfer (to) / from general reserves in respect of regulatory reserve for doubtful debts	(30 554)	29 271
Balance at end of year	13 429 134	10 955 318

20.6 Tax effect relating to each component of other comprehensive income

GROUP	Before tax amount US$	Tax (expense) benefit US$	Net of tax amount US$
2012			
Gains on property revaluation	4 933 933	(924 352)	4 009 581
Share of associate companies' revaluation reserve	936	-	936
	4 934 869	(924 352)	4 010 517
2011			
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

21. 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 2012 US$	COMPANY 2011 US$	GROUP 2012 US$	GROUP 2011 US$
22. INTEREST INCOME				
22.1 Interest income				
Interest income comprises interest on:				
Advances	-	-	24 471 806	21 827 562
Mortgage	-	-	258 722	70 325
Overdraft accounts	-	-	8 039 963	4 328 793
Cash and short-term funds	38 889	262 555	962 088	1 393 457
Loans to other banks	-	-	633 387	832 817
Other	-	181 237	619 791	496 991
Total interest income	38 889	443 792	34 985 757	28 949 945
22.2 Interest expense				
Interest expense comprises interest on:				
Retail deposits	458 523	-	862 370	362 147
Fixed deposits	-	-	11 337 923	6 585 015
Short-term funds	-	-	332 788	348 243
Other interest payable categories	-	-	1 208 068	1 649 173
Total interest expense	458 523	-	13 741 149	8 944 578
Net interest income	(419 634)	443 792	21 244 608	20 005 367

	GROUP 2012 US$	GROUP 2011 US$
23. GROSS REINSURANCE PREMIUM INCOME		
Gross premium written	15 217 341	12 478 519
Retrocessions commission	505 697	1 088 202
Retrocessions claims	375 397	2 351 367
	16 098 435	15 918 088
24. GROSS LIFE ASSURANCE PREMIUM INCOME		
Premium – single	305 791	418 189
Premium – recurrent	6 432 978	5 632 358
	6 738 769	6 050 547

	COMPANY 2012 US$	COMPANY 2011 US$	GROUP 2012 US$	GROUP 2011 US$
25. OTHER OPERATING INCOME				
Commission and fees	-	-	32 419 841	26 750 686
Dealing income	-	-	383 690	71 305
Exchange income	-	-	1 068 664	373 205
Dividends from investment securities	2 629 555	6 441	526 088	304 761
(Loss) / profit on disposal of property and equipment	-	-	30 525	(9 503)
(Loss) / profit on disposal of investments	-	-	622 575	(46 961)
Rent received	-	-	1 154 284	1 110 753
Cash in transit recoveries	-	-	-	1 645 265
Cost recovery for shared services	6 921 328	4 998 350	-	-
Management fees	279 277	231 076	-	-
Other	356	936	2 127 317	2 995 638
	9 830 516	5 236 803	38 332 984	33 195 149
26. FAIR VALUE ADJUSTMENTS				
On financial instruments	(47 124)	119 959	(1 843 584)	7 566 345
On investment properties	-	-	5 724 720	1 057 150
On investment in subsidiaries	7 837 245	8 105 642	-	-
	7 790 121	8 225 601	3 881 136	8 623 495
27. OPERATING EXPENSES				
Commission and fees	-	-	1 463 117	985 329
Staff expenses	3 360 790	3 458 313	28 923 981	23 937 886
Communication expenses	114 194	106 351	1 480 743	1 120 541
National Social Security Authority expenses	201 171	39 126	143 933	100 439
Pension fund expenses	44 139	188 984	1 775 783	1 491 899
Computers and information technology expenses	201 783	92 716	3 322 855	2 248 222
Occupation expenses	789 439	492 728	5 396 351	3 786 225
Transport expenses	469 414	465 756	1 764 353	1 523 384
Travelling expenses	337 793	233 979	968 120	635 855
Depreciation of property and Equipment	-	-	2 790 905	2 163 733
Amortisation of intangible assets	-	-	1 564 973	758 815
Administration expenses	2 360 194	1 560 480	9 487 011	11 668 742
Directors fees	59 200	24 712	794 068	353 584
Impairment on investments	-	-	193	532
Impairment on intangible assets	-	-	55 092	-
	7 938 117	6 663 145	59 931 478	50 775 186

	COMPANY 2012 US$	COMPANY 2011 US$	GROUP 2012 US$	GROUP 2011 US$
27. OPERATING EXPENSES (continued)				
Included in administration expenses are the following:				
Auditors' remuneration	88 330	45 430	510 642	530 890
- for current year audit	30 830	36 468	453 142	460 000
- for half year audit	57 500	8 962	57 500	70 890

	GROUP 2012 US$	GROUP 2011 US$
28. REINSURANCE EXPENSES		
Gross premium retroceded	2 685 533	4 111 246
Movement in provision for unexpired risk	6 110	658 458
Movement in provision for outstanding claims	761 096	(268 488)
Net claims paid	6 492 591	5 663 939
Commissions and fees	3 428 526	3 107 180
	13 373 856	13 272 335
29. LIFE ASSURANCE EXPENSES		
Death and disability benefits	1 243 808	1 000 927
Maturities	221 530	59 225
Annuities	78 368	57 136
Surrenders and Group pension withdrawals	2 095 890	3 426 970
Reassurance premium cost	431 663	118 634
	4 071 259	4 662 892

	COMPANY 2012 US$	COMPANY 2011 US$	GROUP 2012 US$	GROUP 2011 US$
30. INCOME TAX CREDIT / (EXPENSE)				
Current income tax	-	-	1 899 856	3 587 320
Deferred tax	(153 982)	106 604	(432 516)	(1 687 276)
Tax effect on share of results of Associates	-	-	(91 454)	39 166
	(153 982)	106 604	1 375 886	1 939 210

Zimbabwean corporation tax is calculated at an effective rate of 25.75 per cent (2011: 25.75 per cent) of the estimated taxable profit for the year.

	COMPANY		GROUP	
	2012	2011	2012	2011
	US$	US$	US$	US$
30. INCOME TAX CREDIT / (EXPENSE) (continued)				
Reconciliation of current income tax				
Profit before taxation	9 262 886	7 243 051	9 148 672	8 968 877
Current tax on profits at basic rates	2 385 193	1 865 086	2 355 783	2 309 486
Increase / (reduction) arising from:				
- Exempt income	-	-	1 726 590	760 397
- Expenditure not allowed	-	-	204 950	252 820
- General provisions and deferred income	-	-	471 593	801 514
- Capital allowances in excess of depreciation	-	-	1 878 949	1 021 064
- Prepaid expenses	-	-	(414 958)	(17 524)
- Fair value adjustments	(2 231 211)	(1 971 690)	(4 323 051)	(1 540 437)
	153 982	(106 604)	1 899 856	3 587 320

31. EARNINGS PER SHARE

GROUP

Basic and fully diluted earnings per share

The calculation of basic and fully diluted profit per share for the year ended 31 December 2012 of US$0.04 (2011: profit of US$0.03) is based on the attributable profit after tax of US$6 598 733 (2011: profit of US$5 800 788) and weighted average number of shares of 160 059 550 (2011: 162 809 877).

	31 Dec 2012 US$	31 Dec 2011 US$
32. CASH FLOWS FROM OPERATING ACTIVITIES		
Net cash from operating activities working		
Profit before taxation	9 148 672	8 968 877
Adjustments for:		
Fair value adjustments on investments	1 843 584	(7 566 345)
Fair value adjustments on investments properties	(5 724 720)	(1 057 150)
Depreciation of property and equipment	2 790 905	2 163 733
Amortisation of intangible assets	1 564 973	758 815
Exchange gain on investment	(343)	-
Impairment loss on intangible assets	55 092	-
Impairment loss on investments	151	532
Profit / (loss) on disposal of equipment	(30 526)	9 503
Gain / (loss) on disposal of investments	(622 575)	46 961
Specific and portfolio provisions	-	3 115 231
Share of associate companies losses	(278 544)	(54 248)
Operating cash flows before changes working capital	8 758 398	6 385 909
Decrease in offshore borrowing	142 950	1 607 050
Increase in fixed deposits	(5 981 350)	(4 338 648)
Increase in mortgage advances	(1 348 055)	(1 187 602)
Increase in other assets	(172 484)	(893 292)
Increase in advances and other accounts	(16 989 871)	(44 200 820)
Increase in treasury bills	(1 000 000)	-
Increase in deposits and other accounts	47 548 920	53 606 388
Increase in amounts clearing to other banks	95 700	2 794
Increase in other financial assets	402 961	-
Decrease / increase in other liabilities	(2 906 759)	8 261 905
Decrease / increase in life assurance funds	(1 700 962)	3 052 373
Cash generated from operations	26 837 718	22 296 057

33. AGENCY ACTIVITIES

In addition to the life assurance funds disclosed in note 19, 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 2012 US$	31 Dec 2011 US$
Funds under management		
Investors' funds in ZB Investments		
Nominees (Private) Limited	45 994 608	43 605 793
Investors' funds in ZB Unit Trust Funds	2 156 690	1 784 944
	48 151 298	45 390 737

	31 Dec 2012 US$	31 Dec 2011 US$
33. AGENCY ACTIVITIES (continued)		
Represented by:		
Investments in money market instruments	19 817 214	14 727 914
Investments in listed instruments	19 071 379	23 237 922
Investments in unlisted instruments	5 231 701	4 210 351
Property investments	4 031 004	3 214 550
	48 151 298	45 390 737

34. RELATED PARTIES

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.

34.1 Lending to related parties

There were advances in favour of related parties as at the reporting date, as shown below:

	31 Dec 2012 US$	31 Dec 2011 US$
34.1.1 Lending to affiliate		
Alexander Forbes	73	298 000
34.1.2 Lending to other related parties		
Also included in advances and other accounts is the following exposures to directors and employees:		
Loans to directors	414 947	37 631
Loans to employees	7 893 875	2 517 237
	8 308 822	2 554 868

Staff loans are carried at amortised cost, at interest rates from 6% to 18%, and with repayment periods of one year to six years. The loans are fully secured against terminal benefits, and hence no allowance has been made for impairment.

34.2 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 2012	31 Dec 2011
	US$	US$
Directors' remuneration		
- fees by the Holding Company	59 200	24 712
- fees by subsidiaries	734 868	328 872
	794 068	353 584

35. CONTINGENT LIABILITIES AND CAPITAL COMMITMENTS

35.1 Contingent liabilities

In respect of guarantees	25 366 068	27 432 858

35.2 Capital commitments

In respect of expenditure authorised and contracted	6 942 625	2 032 500
In respect of expenditure authorised but not contracted	8 568 595	10 785 630
	15 511 220	12 818 130

Capital commitments will be funded from own funds.

36. PENSION ARRANGEMENTS

All permanent staff, other than those over age, are contributory members of the following independently administered pension funds which are defined contribution plans:

36.1 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.

	2012	2011
	US$	US$
Total expense recognised in the income statement	1 775 783	1 491 899

36.2 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 (2011: 4%) per month per employee. Contributions by the Group amounted to US$143 933 for the year ended 31 December 2012 (2011: US$100 439).

37. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

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

37.1 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.

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.

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.

37.2 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.

37.2.1 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 analysis.

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 moderate for the Group due to the pervasive mismatch of assets and liabilities in all time brackets and a generally illiquid market out turn which makes the mobilization of funds difficult in the event of adverse systemic events occurring on the market.

The Group maintained a level of liquid resources at above 30% of available deposits in order to cater for customer transactional demands.

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 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.

37. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

LIQUIDITY GAP ANALYSIS

2012	Up to 1 month US$	2 to 6 months US$	7 to 12 months US$	Above 12 months US$	Other US$	Total US$
Assets						
Cash and short term funds	69 726 565	-	-	-	-	69 726 565
Money market investments	-	12 192 365	-	-	-	12 192 365
Advances and other accounts	41 112 174	52 267 264	26 308 150	10 627 854	-	130 315 442
Treasury bills	-	1 000 000	-	-	-	1 000 000
Mortgage advances	-	-	-	5 880 248	-	5 880 248
Investment securities	-	402 959	-	-	29 003 851	29 406 810
Investment in associates	-	-	-	-	2 676 884	2 676 884
Trade and other receivables	20 547	5 037 900	-	-	-	5 058 447
Intangible assets	-	-	-	-	9 718 994	9 718 994
Investment properties	-	-	-	-	16 780 703	16 780 703
Property and equipment	-	-	-	-	43 044 354	43 044 354
Deferred tax asset	-	-	-	-	929 155	929 155
	110 859 286	70 900 488	26 308 150	16 508 102	102 153 941	326 729 967
Liabilities						
Deposits and other accounts	188 203 740	23 301 245	5 297	5 217 662	-	216 727 944
Amounts clearing to other banks	109 353	-	-	-	-	109 353
Short term borrowings	-	4 966 657	1 750 000	-	-	6 716 657
Trade and other payables	-	12 485 768	-	-	-	12 485 768
Current tax liabilities	-	757 460	-	-	-	757 460
Deferred tax liabilities	-	-	-	-	3 999 976	3 999 976
Life assurance funds	-	-	-	-	20 406 654	20 406 654
Total equity	-	-	-	-	65 526 155	65 526 155
	188 313 093	41 511 130	1 755 297	5 217 662	89 932 785	326 729 967
Period gap	(77 453 807)	29 389 358	24 552 853	11 290 440	12 221 156	-
Cumulative gap	(77 453 807)	(48 064 449)	(23 511 596)	(12 221 156)	-	-

37. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

LIQUIDITY GAP ANALYSIS

2011	Up to 1 month US$	2 to 6 months US$	7 to 12 months US$	Above 12 months US$	Other US$	Total US$
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	-	16 762 800	-	-	-	16 762 800
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	-	-	-	-	54 456 245	54 456 245
	135 538 821	52 106 061	320 827	4 808 874	79 804 832	272 579 415
Period gap	(43 278 297)	15 438 196	16 703 126	(276 681)	11 413 656	-
Cumulative gap	(43 278 297)	(27 840 101)	(11 136 975)	(11 413 656)	-	-

	31 Dec 2012 US$	31 Dec 2011 US$
37. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)		
Liquidity ratios		
Total liquid assets	82 939 478	58 637 793
Total liabilities to the public	221 803 955	172 837 931
Liquidity ratio	37%	34%
Minimum statutory liquidity ratio	30%	25%

Regulated banking operations, ZB Bank Limited and ZB Building Society reported liquidity ratios that were above the minimum regulated ratios as follows:

	31 Dec 2012 US$	31 Dec 2011 US$
ZB Bank Limited	34%	29%
ZB Building Society	75%	42%

37.2.2 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.

37.2.2.1 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 established.

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

Strategies for management / mitigation
The Assets and Liabilities Committee (ALCO) reviews the gap analysis 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 economic fundamentals turn out differently, ad-hoc ALCO meetings are convened to discuss the said 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.

2012	Up to 1 month US$	2 to 6 months US$	7 to 12 months US$	Above 12 months US$	Other US$	Total US$
37. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)						
INTEREST RATE GAP ANALYSIS						
Assets						
Cash and short term funds	-	-	-	-	69 726 565	69 726 565
Money market investments	-	12 192 365	-	-	-	12 192 365
Advances and other accounts	41 112 174	52 267 264	26 308 150	10 627 854	-	130 315 442
Treasury bills	-	1 000 000	-	-	-	1 000 000
Mortgage advances	-	-	-	5 880 248	-	5 880 248
Investment securities	-	402 959	-	-	29 003 851	29 406 810
Investment in associates	-	-	-	-	2 676 884	2 676 884
Trade and other receivables	-	-	-	-	5 058 447	5 058 447
Intangible assets	-	-	-	-	9 718 994	9 718 994
Investment properties	-	-	-	-	16 780 703	16 780 703
Property and equipment	-	-	-	-	43 044 354	43 044 354
Deferred tax asset	-	-	-	-	929 155	929 155
	41 112 174	65 862 588	26 308 150	16 508 102	176 938 953	326 729 967
Liabilities						
Deposits and other accounts	188 203 740	23 301 245	5 297	5 217 662	-	216 727 944
Amounts clearing to other banks	109 353	-	-	-	-	109 353
Short term borrowings	-	4 966 657	1 750 000	-	-	6 716 657
Trade and other payables	-	12 485 768	-	-	-	12 485 768
Current tax liabilities	-	757 460	-	-	-	757 460
Deferred tax liabilities	-	-	-	-	3 999 976	3 999 976
Life assurance funds	-	-	-	-	20 406 654	20 406 654
Total equity	-	-	-	-	65 526 155	65 526 155
	188 313 093	41 511 130	1 755 297	5 217 662	89 932 785	326 729 967
Period gap	(147 200 919)	24 351 412	24 552 853	11 290 440	87 006 214	-
Cumulative gap	(147 200 919)	(122 849 507)	(98 296 654)	(87 006 214)	-	-

2011	Up to 1 month	2 to 6 months	7 to 12 months	Above 12 months	Other	Total
	US$	US$	US$	US$	US$	US$

37. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

INTEREST RATE GAP ANALYSIS

	Up to 1 month US$	2 to 6 months US$	7 to 12 months US$	Above 12 months US$	Other US$	Total US$
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	-	16 762 800	-	-	-	16 762 800
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	-	-	-	-	54 456 245	54 456 245
	135 538 821	52 106 061	320 827	4 808 874	79 804 832	272 579 415
Period gap	(95 302 115)	10 572 826	16 703 126	(276 681)	68 302 844	-
Cumulative gap	(95 302 115)	(84 729 289)	(68 026 163)	(68 302 844)	-	-

37.2.2.1 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$23 399 and the total assets in the statement of financial position being increased or decreased by US$3 million using an average margin of 1.05% per annum.

A 2% change in the rate sensitive liabilities would result in the reported profits being increased or decreased by US$36 990 and the total liabilities in the statement of financial position being increased or decreased by US$4.7 million using an average margin of 1.05% per annum.

37.2.2.2 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.

37.2 Financial risk management (continued)

Foreign currency position

The carrying amount of the Group's non United States dollar monetary assets and liabilities as at 31 December 2012 were as follows:

	31 Dec 2012 US$	31 Dec 2011 US$
Australian dollar	1 858	4 598
Botswana pula	374 495	563 083
British pound	140 032	153 558
Indian rupee	739	759
Japanese yen	51 713	65 001
Malawian kwacha	1 062	2 105
Euro	1 062 756	1 020 047
South African rand	6 578 982	5 773 815
Zambian kwacha	991	1 008
Total assets	8 212 628	7 583 974
Botswana pula	(130 776)	(225 047)
British pound	(108 275)	(100 355)
Euro	(89 907)	(52 023)
South African rand	(4 251 901)	(3 879 852)
Total liabilities	(4 580 859)	(4 257 277)
Net foreign currency position	3 631 769	3 326 697

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$269 659 [2011: US$247 007] and the statement of financial position being reduced or increased by US$363 177 [2011: US$332 670].

37.2.2.3 Equity price risk

Definition

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

Identification techniques

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

37.2.2.3 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 moderate due to a significant concentration in a few counters which are strategic to the Group's operations.

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 2012 would result in an increase / decrease of US$2.06 million to the reported Group's profit and an increase / decrease of US$2.08 million in the statement of financial position.

37.2.3 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

Prior to granting facilities, the Group conducts an assessment proposal through a credit scoring system which classifies as good or bad depending on points scored. Thereafter facilities extended to clients are reviewed on a regular basis and classified accordingly.

Measurement methods

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

Impact evaluation

Credit risk is rated moderate due to increased market wide company failures as well as apparently increased debt burden on individuals due to a proliferation of credit facilities.

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 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.

A substantial portion of the Group's individual and corporate borrowings is insured for non-performance whilst security of various other forms is obtained for large exposures.

37.2.3 Credit risk (continued)

Monitoring and controlling mechanisms

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

Adequacy and effectiveness of risk management systems

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

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

	31 Dec 2012	31 Dec 2011
	US$	US$
Classification		
Good	135 315 901	136 274 308
Sub-standard	1 609 899	214 907
Doubtful	3 721 065	800 863
Loss	20 914 895	8 000 544
Total	161 561 760	145 290 622

Balances include guarantees which are reported as contingent liabilities.

37.2.3 Credit risk (continued)

The table below shows the Group's exposure to credit risk.

	Loans and advances to customers		Investment securities	
	31 Dec 2012	31 Dec 2011	31 Dec 2012	31 Dec 2011
	US$	US$	US$	US$
Carrying amount	**136 195 640**	**117 857 764**	**6 848 405**	**8 314 132**
Assets at amortised cost				
Individually impaired:				
Grade 6: Impaired	952 099	-	-	-
Grade 7: Impaired	606 755	215 707	-	-
Grade 8: Impaired	787 437	-	-	-
Grade 9: Impaired	2 921 000	800 063	-	-
Grade 10: Impaired	20 914 895	8 000 545	-	-
Gross amount	26 182 186	9 016 315	-	-
Allowance for:				
Impairment	(4 535 117)	(3 421 721)	-	-
Interest reserve	(6 692 953)	(3 453 129)	-	-
Carrying amount	14 954 116	2 141 465	-	-
Collectively impaired:				
Grades 1-4: Low– fair risk	118 432 089	103 520 336	-	-
Grade 5: Watch list	3 558 827	12 547 208	-	-
Gross amount	121 990 916	116 067 544	-	-
Allowance for:				
Impairment	(749 342)	(351 245)	-	-
Carrying amount	121 241 574	115 716 299	-	-
Neither past due no impaired:				
Grades 1-4: low– fair risk	-	-	5 535 900	5 532 919
Carrying amount	-	-	5 535 900	5 532 919
Total carrying amount-amortised cost	136 195 690	117 857 764	5 535 900	5 532 919
Asset at fair value through profit and loss:				
Neither past due no impaired:				
Grades 1-4: low–fair risk	-	-	1 312 504	2 781 214
Carrying amount – fair value	-	-	1 312 504	2 781 214
Total carrying amount	**136 195 690**	**117 857 764**	**6 848 404**	**8 314 132**

Strategies for management / mitigation:

The Bank 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 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.

37.2.3 Credit risk (continued)

A substantial portion of the Bank's individual and corporate borrowings is insured for non-performance whilst security of various other forms is obtained for large exposures.

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

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

The Bank has issued financial guarantees in respect of clients graded 1 to 4, and for which the maximum amount payable by the Bank, assuming all guarantees are called on, is $25 366 068.

Sensitivity profit analysis
A 10% change in the assets classified as good to marginal category to a "loss" classification would result in the reported profit being reduced by US$7 505 848 and the total assets in the statement of financial position reducing by US$10 108 886.

Sensitivity analysis
A 10% change in the assets classified as good to marginal category to a "loss" classification would result in the reported profit being reduced by US$9.2 million [2011: US$7.9 million] and the total assets in the statement of financial position being reduced by US$13.4 million [2011: US$10.7 million] assuming that the available security does not perform.

37.3 Other business risks

37.3.1 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 by the extent of loss due to system failure reported during the period.

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

37.3.1 Operational risk (continued)

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 regularly.

In addition , the Group has comprehensive insurance arrangements in place to mitigate the impact of any loss events.

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.

37.3.2 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 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, Board risk 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.

37.3.3 Technological risk

Definition

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

Identification techniques

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

Impact evaluation

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

Measurement methods

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

Strategies for management/mitigation

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

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.

37.3.4 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.

37.3.4 Solvency risk (continued)

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.

37.3.5 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 (2011: 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 2012	31 Dec 2011
	US$	US$
Total insurance risk before retrocession	6 000 000	5 000 000
Retroceded risk	(4 000 000)	(4 000 000)
Insurance risk after reinsurance	2 000 000	1 000 000

37.4 Risk rating

37.4.1 Regulatory risk rating

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

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

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

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

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

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

[1]"CAMELS" stands for **C**apital Adequacy, **A**sset Quality, **M**anagement, **E**arnings, **L**iquidity management, and **S**ensitivity to market risk.
[2]"CEFM" stands for **C**apital Adequacy, **E**arnings, **F**unds Under Management and **M**anagement

37.4.1 Regulatory risk rating (continued)

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**

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**

37.4.1 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**

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.

37.4.1 Regulatory risk rating (continued)

Interpretation of risk matrix (continued)

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.

37.4.2 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:3

Entity	2012	2011	2010	2009
ZB Bank Limited	BBB+	BBB+	BBB+	BBB+
ZB Building Society	BBB-	BBB-	BBB-	BBB-
ZB Reinsurance Company	BBB+	BBB+	BBB+	BBB+

All ratings above fall within the "Investment Grade". The current ratings expire on the 30th of November 2013.

38. COMPLIANCE WITH REGULATIONS

In 2011 the Insurance Act (Chapter 24:07) required Life Assurance entities to maintain at least 30% of their 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 provide that all insurance companies and pension funds should apply 40% of their net monthly cash flows to purchase prescribed assets as stipulated in Circular 4/2005, issued by the Insurance and Pensions Commissioner.

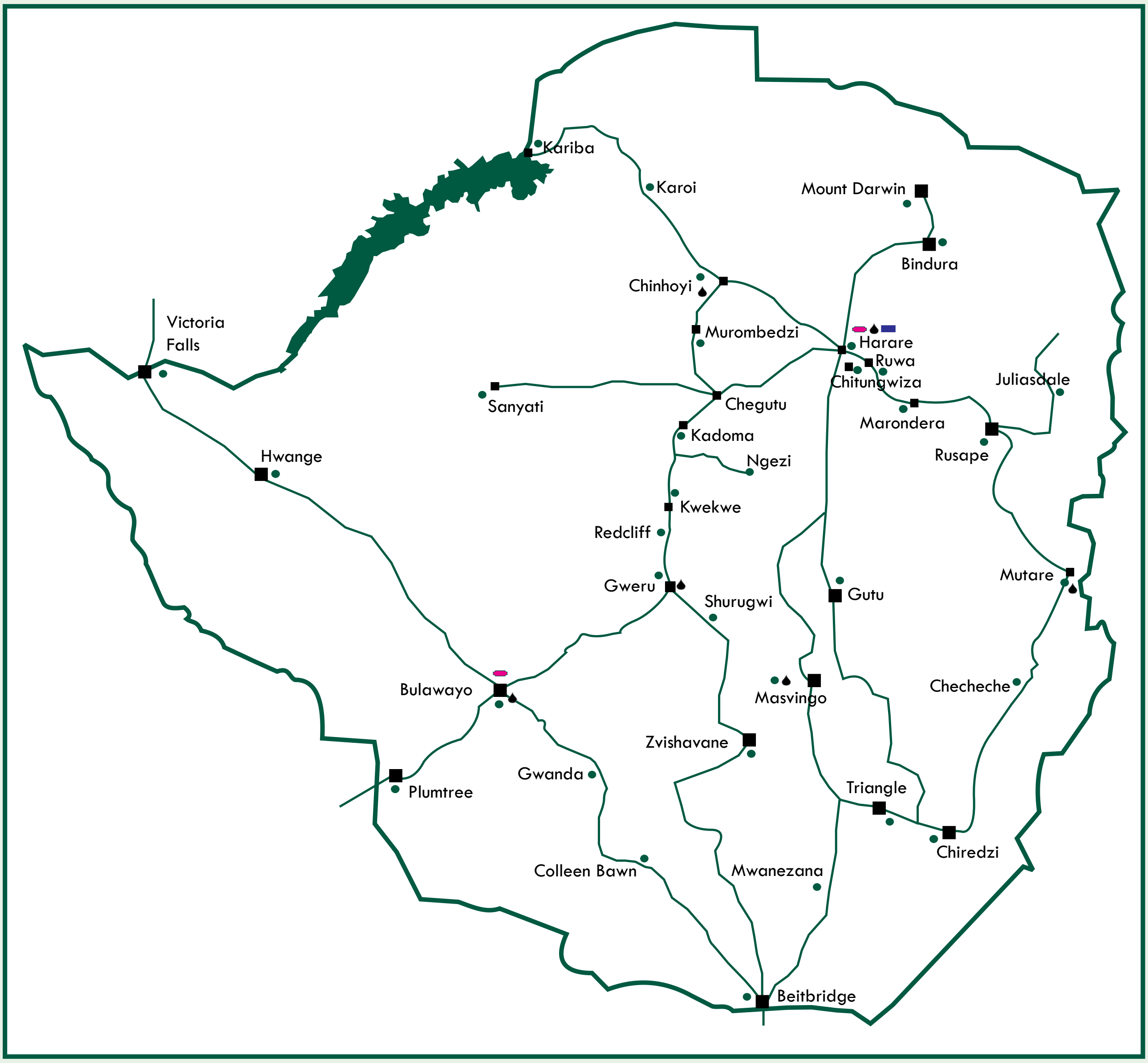
The provisions were revised in 2012 to require that at least 7.5% of non-pension fund investments and at least 10% of pension fund investments be held as prescribed assets. The Group intends to ensure full compliance with the revised provisions subject to the availability of appropriate investment in instruments.

Commercial banks and building societies in Zimbabwe were required to maintain a minimum capital level of US$25 million and US$20 million respectively as at 31 December 2012. Intermarket Banking Corporation Limited (IBCL) and ZB Building Society (ZBBS) did not meet these requirements during the year under review. The Group has adopted a strategic position to merge IBCL, ZBBS and ZB Bank Limited which obviates the need for a further capital injection. This will require the approval of the Reserve Bank of Zimbabwe.

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

39. SUBSEQUENT EVENTS

The Reserve Bank of Zimbabwe and all banking institutions concluded a Memorandum of Understanding (MOU) on 31 January 2013 the subject of which was to rationalise certain of the bank charges and prevailing interests rates. The full impact of the provisions of the MOU on the Group's performance is subject to on-going assessment.



KEY

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

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

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For the year ended 31 December 2012

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P O Box 2594
Harare
Telephone: 759735-7
Facsimile: 751877
E-mail: info@zbre.co.zw
Website: www.zb.co.zw

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Website: www.zb.co.zw

ZB SECURITIES
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Corner First Street / Kwame
Nkrumah Ave
P O Box 3198
Harare
Tel: (04) 796841/6

ZB CAPITAL (PRIVATE) LIMITED
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Proxy form

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 31 May, 2013, 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 if appropriate, the financial statements, and the reports of the directors and auditors for the year ended 31 December 2012.			
2	Ordinary	Mr T P B Mpofu and Mr E Munemo retire by rotation at the meeting. In terms of Article 68 of the Company's Articles of Association, and being eligible, offer themselves for re-election at the meeting.			
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			

GENERAL BUSINESS

Resolution Number	Type of Resolution	Provision of the Resolution	In favour of	Against	Abstain
5	Ordinary	To transact any 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. The proxy form must be delivered at the registered office of the Company not less than 48 hours before the meeting is scheduled to commerce.			

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 ...., 2013.

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 Office and Registered Office
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