Audited Financial Results for the year ended 31 December 2011

CBZ Bank CBZ Life CBZ Holdings Datvest Datvest CBZ Insurance CBZ Bank

CBZ HOLDINGS LIMITED

Chairman's Statement

Once again, I take great pleasure in presenting the strong financial performance by CBZ Holdings Limited.

Below are the key highlights of the Group's performance for the year ended 31 December 2011, and the comparative period.

Group Financial Highlights

	Year Ended 31 December 2011 US$m	Year Ended 31 December 2010 US$m
Financial Performance		
Profit before taxation	38.2	25.5
Profit after taxation	30.3	18.8
Total comprehensive income	33.1	23.4
Total assets	1 055.7	686.8
Total equity and reserves	119.2	86.8
Total deposits	829.9	578.4
Total advances	790.3	444.6
Other statistics		
Basic earnings per share	4.83c	2.99c
Non- interest Income to total Income	39.0%	45.9%
Cost to income ratio	56.5%	66.7%
Annualised return on assets	3.6%	3.7%
Annualised return on equity	25.4%	21.6%
Growth in deposits	43.5%	60.3%
Growth in advances	77.8%	81.5%
Growth in profit before tax	49.6%	110.4%
Growth in profit after tax	61.6%	131.0%

Capital Adequacy
The Group's regulated subsidiaries were able to comply with the prescribed minimum capital and liquidity requirements, as set by the Central Bank and the Commissioner of Insurance.

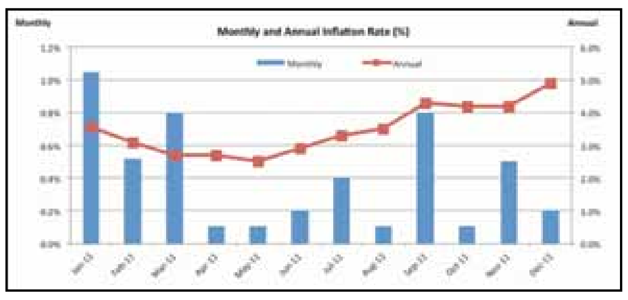
Liquidity update
The Banking sector experienced liquidity challenges during the period commencing mid December 2011 spilling into the first two months of 2012. The Group's Banking Unit, which is the largest in its sector, was not spared by this predicament. The challenge was largely a result of the effects of hot money caused by high value withdrawal transactions that were effected on behalf of the Bank's significant clients at a time when there was no lender of last resort and/or interbank market. This resulted in delays on payments as well as a larger than normal loans to deposit ratio.

In response, the Bank put in place measures to improve its liquidity position that included engagement of its valued customers and other key stakeholders. Government also moved to stagger the payment dates for civil servants' salaries. In addition, the Government and the other stakeholders are working towards putting in place a lender of last resort function and the resuscitation of the interbank market.

We are very grateful to our customers for their support and loyalty to the Bank. I am glad to advise that we are now out of the challenge and up to date with all customer payments. Over and above the measures outlined above, additional lines of credit amounting to US$89 million have been secured to buttress the Bank's liquidity position and ensure that the situation will not recurr.

Economic Environment
The Zimbabwean economy has continued on a recovery path as characterised by improving macroeconomic fundamentals such as low inflation, improved capacity utilisation by the industrial sector, which rose to an average of about 60%, spearheaded by key economic sectors such as agriculture, mining, manufacturing and tourism.

Inflation
The rate of inflation has remained relatively stable and within the single digit levels since the beginning of the year. Annual inflation opened the year at 3.5% and remained on a downward trend, reaching 2.5% in May before rising to close the year at 4.9%.



Monthly inflation opened the year at 1% and declined to 0.1% in April 2011 before rising marginally to reach 0.2% in December. The main drivers in the rise of the monthly rate of inflation during the year have been the increase in the cost of;

- food and beverages,
- housing,
- electricity and water

Going forward, inflation pressures are likely to emanate from rising global food prices, exchange rate movements between the South African rand and the US dollar as well as rising wage demands from both the private and public sectors.

Capital market
Trade on the stock market remained sluggish due to a number of factors, chief among these being;

- the perceived country risk,
- liquidity constraints prevailing in the economy,
- the impact of the indigenisation and economic empowerment policy.

Trade remained concentrated on the heavy weight counters at the expense of lighter stocks that were perceived as risky by investors.

The CBZ Holdings stock opened the year 2011 trading at 14 cents and rose to reach a high price of 19.5 cents in April 2011. Thereafter, the counter traded lower reaching the lowest of 7.29 cents on 20 December 2011 before closing the year at 14 cents. A total of 70.8 million shares changed hands during the year. With 684.1 million shares in issue, the Company closed the period under review with a market capitalization of US$95.8 million.

While the industrial shares index declined from 150.99 points in January to 145.86 points by year end, representing a year to date decline of 3.58%, the mining index declined from 201.41 points in January to 100.7 points, representing a year to date decline of 49.75%. However, over the same period, total market capitalisation has remained below the $5 billion point mark, as it declined from $4.3 billion in January to about $3.7 billion by the end of 2011.

Key Corporate developments

- CBZ Bank Limited won the Marketers Association of Zimbabwe top brand in the financial services sector and was one of the top 10 national brands.
- The banking arm of the Group, "CBZ Bank" managed to list the Zimbabwe Economic Recovery Bond "ZERB" on the Cayman Islands Stock Exchange and is in the process of listing the Bond on the Zimbabwe Stock Exchange.
- Further to the amalgamation of the Bank and the Building Society, the consolidation process has seen key units being reviewed and realigned during the period.
- CBZ Life Limited, a wholly owned subsidiary of the Group, started full operations during the first half of 2011 after obtaining all the necessary regulatory approvals. The unit is already trading profitably.
- The Group successfully implemented an upgrade of its main banking system, Flexcube, to Flexcube version 11. The asset management arm also successfully upgraded its IT system during the course of the year.

Dividend
An interim dividend of 0.12 cents was declared and paid during the year. Further to this, a final dividend of 0.13 cents per share has been declared to give a total annual dividend of 0.25 cents per share.

Outlook
The economy looks set to remain on a continued growth path albeit at a lower than originally projected level due to the continued liquidity challenges, uncertain political environment, low investor uptake and an adverse agricultural season.

However, the growth in the mining and tourism sectors will certainly have a positive impact on liquidity and reduce default risk within the economy as business and individuals' financial standing improves. Policy inconsistencies and uncertainty are likely to affect the willingness of depositors to commit their funds on a long term basis. This will continue to impact on the cost of funding and ability of financial institutions to lend on a long term basis.

Appreciation
My appreciation goes to the Boards of the Group Companies, Management and Staff for their unwavering dedication, commitment and support in taking the business to greater heights, through embracing strong shared common values and vision. I would also like to express my sincere gratitude and appreciation to our treasured customers and other stakeholders who have stood by the Group, enabling it to achieve success during the year 2011.

L. Zembe
Chairman
23 March 2012

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2011

	Note	31 Dec 2011 US$	31 Dec 2010 US$ (restated)
Interest income	2	109 563 384	65 831 136
Interest expense	2	(34 509 502)	(21 665 538)
Net interest income		**75 053 882**	**44 165 598**
Non-interest income	3	44 863 445	36 327 832
Underwriting income	4	3 173 779	1 074 514
Total income		**123 091 106**	**81 567 944**
Operating expenditure	5	(69 556 084)	(54 389 661)
Operating income		**53 535 022**	**27 178 283**
Charge for impairment	11.5	(14 437 074)	(1 596 313)
Transfer to Life Fund		(891 755)	-
Share of associate's loss		-	(38 648)
Profit before taxation		**38 206 193**	**25 543 322**
Taxation	6.1	(7 862 892)	(6 766 453)
Profit for the year after tax		**30 343 301**	**18 776 869**
Other Comprehensive income			
Gains on property revaluations		3 426 793	6 109 871
Fair value adjustment on Available for sale (AFS) financial instruments	6.3	(234 166)	(635 037)
Income tax relating to components of other comprehensive income	6.3	(422 030)	(876 857)
Other comprehensive income for the year net of tax		2 770 597	4 597 977
Total comprehensive income for the year		**33 113 898**	**23 374 846**
Profit for the year attributable to:			
Equity holders of parent		30 220 998	18 718 923
Non-controlling interests		122 303	57 946
		30 343 301	**18 776 869**
Total comprehensive income attributable to:			
Equity holders of parent		32 991 595	23 316 900
Non-controlling interests		122 303	57 946
		33 113 898	**23 374 846**
Earnings per share (cents)			
Basic	8.1	4.83	2.99
Fully diluted	8.1	4.83	2.99

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2011

	Note	31 Dec 2011 US$	31 Dec 2010 US$ (restated)
ASSETS			
Balances with banks and cash	7	142 453 856	131 052 391
Money market assets	10	7 958 378	22 148 137
Advances	11	790 340 120	444 605 401
Insurance assets	12	1 521 203	1 267 377
Other assets	13	18 351 278	9 781 940
Investments in equities	14	2 452 858	2 886 014
Investment properties	16	17 821 110	16 138 587
Property and equipment	15	66 501 576	56 931 378
Intangible assets	17	2 537 393	825 780
Deferred taxation	18	5 759 724	1 149 573
TOTAL ASSETS		**1 055 697 496**	**686 786 578**
LIABILITIES			
Deposits	19	783 013 644	578 367 553
Bond	23	46 883 080	-
Insurance liabilities	20	3 874 334	2 255 317
Other liabilities	21	94 336 878	11 918 981
Current tax payable		5 241 028	3 575 561
Deferred taxation	18	3 099 190	3 836 714
TOTAL LIABILITIES		**936 448 154**	**599 954 126**
EQUITY AND RESERVES			
Share capital	22	6 841 445	6 841 445
Share premium	22.4	26 708 659	26 708 659
Treasury shares		(587 510)	(587 510)
Non-distributable reserve	22.1	13 000 000	13 000 000
Revaluation reserve		15 966 335	12 962 954
Available for sale reserve	22.5	(636 497)	(403 713)
Revenue reserves	22.2	57 565 187	28 100 321
Equity and reserves attributable to equity holders of the parent		118 857 619	86 622 156
Non-controlling interests	22.3	391 723	210 296
TOTAL EQUITY AND RESERVES		119 249 342	86 832 452
TOTAL LIABILITIES, EQUITY AND RESERVES		**1 055 697 496**	**686 786 578**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2011

	Share Capital US$	Share Premium US$	Treasury Shares US$	Non-Distributable Reserve US$	Revaluation Reserve US$	Available for Sale Reserve US$	Revenue Reserve US$	Non-Controlling Interest US$	Total US$
2010									
Balance at the beginning of the year	-	-	(594 691)	46 550 104	7 740 164	221 100	9 277 502	53 161	63 247 340
Redenomination	6 841 445	26 708 659	-	(33 550 104)	-	-	-	-	-
Total comprehensive Income (restated)	-	-	-	-	5 222 790	(624 813)	18 718 923	57 946	23 374 846
Rights issue	-	-	-	-	-	-	-	99 189	99 189
Treasury shares disposal	-	-	7 181	-	-	-	103 896	-	111 077
Restated Balance at 31 December 2010	**6 841 445**	**26 708 659**	**(587 510)**	**13 000 000**	**12 962 954**	**(403 713)**	**28 100 321**	**210 296**	**86 832 452**
2011									
Restated Balance at the beginning of the year	6 841 445	26 708 659	(587 510)	13 000 000	12 962 954	(403 713)	28 100 321	210 296	86 832 452
Total comprehensive income/(loss)	-	-	-	-	3 003 381	(232 784)	30 220 998	122 303	33 113 898
Rights Issue	-	-	-	-	-	-	-	59 124	59 124
Dividends	-	-	-	-	-	-	(756 132)	-	(756 132)
Balance at 31 December 2011	**6 841 445**	**26 708 659**	**(587 510)**	**13 000 000**	**15 966 335**	**(636 497)**	**57 565 187**	**391 723**	**119 249 342**

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2011

	31 Dec 2011 US$	31 Dec 2010 US$
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	**38 206 193**	**25 543 322**
Non cash items:		
Depreciation and amortisation	4 005 981	2 742 923
Fair value adjustment	(968 887)	(2 245 757)
Impairment on advances	14 437 074	1 596 313
Share of associate company's loss	-	38 648
Unrealised gain on foreign currency position	(3 144 505)	(2 692 239)
Profit on disposal of investment properties	(379 406)	-
Unearned premium	805 928	617 066
Claims provision (IBNR)	160 961	63 785
Loss on sale of property and equipment	12 974	145 169
Operating profit before changes in operating assets and liabilities	**53 136 313**	**25 809 230**
Changes in operating assets and liabilities		
Deposits	207 790 597	220 232 694
Bond	46 883 080	-
Advances	(360 171 793)	(201 249 838)
Money market assets	14 189 759	(19 773 846)
Insurance assets	(1 220 714)	(1 679 035)
Insurance liabilities	1 619 017	1 621 522
Other assets	(8 569 337)	(1 764 149)
Other liabilities	82 417 897	(8 656 675)
	(17 061 494)	(11 269 327)
Corporate tax paid	(11 967 086)	(8 128 225)
Net cash inflow from operating activities	**24 107 733**	**6 411 678**
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds on disposal of investment property	456 073	-
Net change in investments	(123 508)	(564 295)
Purchase of investment property	(229 200)	(628 719)
Proceeds on disposal of property and equipment	674 170	1 221 648
Purchase of property and equipment	(10 903 471)	(7 328 520)
Purchase of intangible assets	(1 883 324)	(415 802)
Net cash outflow from investing activities	**(12 009 260)**	**(7 715 688)**
CASH FLOWS FROM FINANCING ACTIVITIES		
Rights Issue(NCI`s portion)	59 124	99 189
Treasury shares	-	110 470
Dividends paid	(756 132)	-
Net cash flow from financing activities	**(697 008)**	**209 659**
NET INCREASE/(DECREASE) IN BALANCES WITH BANKS AND CASH	11 401 465	(1 094 351)
Balances with banks and cash at the beginning of the year	131 052 391	132 146 742
Balances with banks and cash at the end of the year	**142 453 856**	**131 052 391**

1. GROUP ACCOUNTING POLICIES
The following paragraphs describe the main accounting policies applied consistently by the Group.

1.1 BASIS OF PREPARATION
The Group's financial statements have been prepared in accordance with International Financial Reporting Standards ('IFRS'). The financial statements are based on statutory records that are maintained under the historical cost convention as modified by the revaluation of property, equipment, investment property and certain financial instruments which are stated at fair value.

The financial statements are presented in United States Dollars (US$).

Basis of consolidation
The Group financial statements incorporate the financial statements of the Company, its subsidiaries and associate company. Subsidiary undertakings are those companies in which the Group, directly or indirectly, has an interest of more than one half of the voting rights and is able to exercise control of the operations. Control exists when the Group has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The results of subsidiaries acquired or disposed of during the year are incorporated from the dates control was acquired and up to the date control ceased.

The financial statements of the subsidiaries and associate company, are prepared for the same reporting period as the parent company, using consistent accounting policies.

All intra-group balances, transactions, income and expenses; profits and losses resulting from intra-group transactions that are recognised in assets and liabilities are eliminated in full.

Non-controlling interests represent the portion of profit and net assets that is not held by the Group and are presented separately in the consolidated statement of comprehensive income and within equity in the consolidated statement of financial position, separately from parent shareholders' equity.

Compliance Statement

Compliance with legal and regulatory requirements
These financial statements which have been prepared under the historical cost convention are in agreement with the underlying books and records. The financial statements have been prepared in accordance with the Group's accounting policies and are in compliance with all the requirements of the Companies Act (Chapter 24:03) and Statutory Instruments SI 33/99 and SI 62/99, the Banking Act (Chapter 24:20), the Insurance Act (Chapter 24:07), the Building Societies Act (Chapter 24:02) and the Asset Management Act (Chapter 24:26).

1.2 SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS
In the process of applying the Group's accounting policies, Management made certain judgements and estimates that have a significant effect on the amounts recognised in the financial statements.

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1.2 SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS
In the process of applying the Group's accounting policies, management made certain judgements and estimates that have a significant effect on the amounts recognised in the financial statements as stated below:

Fair value measurement principles
The fair value of financial instruments is based on their market price at the statement of financial position date before deducting transaction costs. If a market price is not available, the fair value of an instrument is estimated using the discounted cash flow techniques. Where discounted cash flow techniques are used, estimated future cash flows are based on management's best estimates and the discount rate is market related at the statement of financial position date for an instrument with similar terms and conditions.

The fair value of money market investments has been determined by reference to a valuation model approved by Management.

Available for sale financial instruments are carried at fair value based on their market price at statement of financial position date. The fair value adjustment is adjusted for through the statement of comprehensive income.

Origination fees on loans and advances
Origination fees are recognised using the effective interest rate method over the life of the underlying asset.

Impairment losses on loans and advances
The Group reviews individually significant loans and advances at each statement of financial position date to assess whether an impairment should be recorded in the statement of comprehensive income. In particular, judgement by Management is required in the estimation of the amount and timing of future cashflows when determining the impairment. In estimating these cashflows, the Group makes judgements about the borrower's financial situation and the net realisable value of collateral. These estimates are based on assumptions about a number of factors and actual results may differ, resulting in future changes to the allowance.

The Group determines the loan loss provisions as mandated by the Reserve Bank of Zimbabwe's (RBZ) Banking Regulations, Statutory Instrument 205 of 2000 (part IV). Management exercises judgements in assigning loan grades which form the basis of provisioning.

The RBZ regulations prescribe minimum percentages to be applied on outstanding loan balances depending on each loan's grading.

IAS 39 requires the assessment of impairment on individually significant loans and portfolio impairment assessments for the remaining loans.

The Group records the loan loss provision through the statement of comprehensive income.

Balances held with the Reserve Bank of Zimbabwe
Balances with the RBZ are deemed to be available within 3 months of call. The RBZ announced subsequent to year end that statutory reserve liabilities would be converted to discountable and tradable instruments. Management is convinced of the liquidity status of these instruments as espoused in the announcement by the regulatory authorities, and as classified these as balances with banks and cash.

Estimation of property and equipment useful life
The determination of estimated useful life for property and equipment is carried out at each reporting date.

Estimation of property and equipment residual values
The residual values of property and equipment are determined at each reporting date.

Valuation of equity investments
Investments in equities listed on the Zimbabwe Stock Exchange are valued by reference to the prices as published on the statement of financial position date. Other equity investments which are not actively traded are valued at cost.

Incurred But Not Reported (IBNR)
In the process of applying the company`s accounting policies Management has estimated the incurred but not reported claims (IBNR) at 5% of net written premium for all other products with the exception of motor which has been estimated at 25% of net written premium.

1.3 INVESTMENT IN ASSOCIATES
The Group's investment in associates is accounted for in accordance with the equity method. An associate is an entity in which the Group has significant influence but in which the entity does not exercise indirect or direct control.

Under the equity method, the investment in the associate is carried in the statement of financial position at cost plus post-acquisition changes in the Group's share of net assets of the associate. Where there has been a change recognised directly in the equity of the associate, the Group recognises its share of any change.

Profits and losses resulting from intra-group transactions are eliminated to the extent of the interest in the associate. The interest in the associate was disposed of in prior year.

1.4 INVESTMENT PROPERTIES
Recognition criteria
Investment properties are those properties held for earning rental income and/or for capital appreciation. Some of these properties are partly occupied by the Group for its business activities. To this extent, the Group's own use does not exceed 20%.

Investment properties are measured initially at cost, including transaction costs. The carrying amount includes the cost of replacing part of an existing investment property at the time that cost is incurred if the recognition criteria are met; and excludes the costs of day to day servicing of an investment property. Subsequent to initial recognition, investment properties are stated at fair value, based on valuations performed by professional valuers.

Transfers to and from investment properties
Transfers are made to or from investment property only when there is a change in use. If an investment property becomes more than 20% owner occupied, it is reclassified as property, plant and equipment in accordance with IAS 16 and its fair value at the date of its classification becomes its cost for accounting purposes for subsequent recording.

Derecognition
Investment properties are derecognised when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognised in the statement of comprehensive income in the period of derecognition.

1.5 PROPERTY AND EQUIPMENT
Property and equipment are stated at gross carrying amount excluding costs of day-to-day servicing less accumulated depreciation and where applicable accumulated impairment in value. Such costs include the cost of replacing part of such property and equipment when that cost is incurred if the recognition criteria are met. Gross carrying amount represents either cost or the revalued amount, in the case of revalued property.

An item of property and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of comprehensive income in the year the asset is derecognised.

Valuations are done by a professional valuer.

Property and equipment are depreciated over their estimated useful lives on a straight line basis such that the cost or valuation of the assets are reduced to their estimated residual values. The estimated useful lives at the end of this reporting period are:

Buildings	40 years
Computer and other equipment	5 years
Furniture	10 years
Leasehold improvements	10 years
Motor vehicles	3 – 5 years

The carrying values of property and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

The assets` residual values, useful lives and methods of depreciation are reviewed and adjusted if appropriate at each financial year end.

Freehold land and buildings are reported at open market value while subsequent additions between valuation dates are shown at cost.

Any revaluation surplus is credited to the asset revaluation reserve except to the extent that it reverses a revaluation loss of the same asset previously recognised in statement of comprehensive income in which case the increase is recognised in statement of comprehensive income. A revaluation deficit is recognised in statement of comprehensive income except where a deficit directly offsets a previous surplus on the same asset. This deficit is directly offset against the surplus in the asset revaluation reserve.

1.6 FOREIGN CURRENCIES
The presentation and functional currency is United States Dollars (US$). Transactions in foreign currencies are initially recorded at the exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the rate ruling at statement of financial position date. All exchange gains/losses are taken to the statement of comprehensive income.

1.7 TAXATION
Deferred taxation
Deferred income tax is provided using the liability method on temporary differences at the statement of financial position date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences except:

- where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and at the time of the transaction affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

  Deferred tax assets are recognised for all deductible temporary differences and unused tax losses to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and unused tax losses can be utilised except:

- where the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and at the time of the transaction affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each statement of financial position date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each statement of financial position date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled based on tax rates (and tax laws) that have been enacted or substantively enacted at the statement of financial position date.

Deferred tax relating to items recognised directly in equity is recognised in equity and not in the statement of comprehensive income.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Current taxation
The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit reported in the statement of comprehensive income 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 tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the statement of financial position date.

Capital gains tax
Deferred tax arising on valuation of property and equity investment is computed at the applicable capital gains tax rates ruling at the statement of financial position date.

Value added tax
Revenue, expenses, and assets are recognised net of Value Added Tax (VAT) except:
where the VAT incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the VAT is recognised as part of the cost of the acquisition of the asset or as part of the expense item as applicable , and; receivables and payables that are stated with the amount of VAT included.

1.8 FINANCIAL ASSETS
Initial Recognition
A financial instrument is a contract that gives rise to both a financial asset of one and a financial liability of another enterprise. Financial instruments held by the Group include balances with banks and cash, money market assets, advances, investments and deposits.

Financial assets in the scope of IAS 39 are classified as either financial assets at fair value through profit or loss, loans and receivables, held to maturity investments and available for sale financial assets as appropriate. When financial assets are recognised initially they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs. The Group determines the classification of its financial assets after initial recognition and where allowed and appropriate re-evaluates this designation at each financial year-end.

All regular way purchases and sales of financial assets are recognised on the trade date i.e. the date that the Group commits to purchase the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

Subsequent measurement
The subsequent measurement of financial assets depends on their classification as follows:

Financial assets at fair value through profit or loss
Financial assets classified as held for trading are included in the category 'financial assets at fair value through profit or loss'. Financial assets are classified as held for trading if they are acquired for the purpose of selling in the near term. Derivatives, where applicable, are also classified as held for trading unless they are designated and effective hedging instruments. Gains or losses on investments held for trading are recognised in income. (These include certain investments and money market assets).

Financial assets at fair value through profit and loss are carried in the statement of financial position at fair value with gains or losses recognised in the statement of comprehensive income.

Held to maturity investments
Non-derivative financial assets with fixed or determinable payments and fixed maturity are classified as held- to-maturity when the Group has the positive intention and ability to hold to maturity. Investments intended to be held for an undefined period are not included in this classification but other long-term investments that are intended to be held to maturity such as bonds are included. Held-to-maturity instruments are subsequently measured at amortised cost. This cost is computed as the amount initially recognised minus principal payments plus or minus the cumulative amortisation using the effective interest method of any difference between the initially recognised amount and the maturity amount. This calculation includes all fees and amounts paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums and discounts. For investments carried at amortised cost, gains and losses are recognised in income when the investments are recognised or impaired as well as the amortisation process. (These include certain investments and money market assets).

Loans and receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are carried at amortised cost using the effective interest method. Gains and losses are recognised in income when the loans and receivables are derecognised or impaired as well as through the amortisation process. (These include advances, insurance assets, and other assets).

Available-for-sale financial assets
Available-for-sale financial assets are those non-derivative financial assets that are designated as available-for-sale or are not classified in any of the three preceding categories. After initial recognition available-for-sale financial assets are measured at fair value with gains or losses being recognised as a separate component of equity until the investment is derecognised or until the investment is determined to be impaired at which time the cumulative gain or loss previously reported in equity is included in the statement of comprehensive income. (These include certain investments and money market assets).

Fair value of financial instruments
The fair value of financial instruments that are actively traded in organised financial markets is determined by reference to quoted market bid prices at the close of business on the statement of financial position date. For financial instruments where there is no active market, fair value is determined using valuation techniques. Such techniques may include using recent arm's length market transactions; reference to the current fair value of another instrument that is substantially the same; discounted cash flow analysis or other valuation models.

Balances with banks and cash
Balances with banks and cash comprise cash balances on hand, cash deposited with the central bank and other banks.

Offsetting arrangements
Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

1.9 FINANCIAL LIABILITIES
Initial recognition
Financial liabilities are recognised initially at fair value and in the case of loans and borrowings, directly attributable transaction costs are included in the determination of fair value.

Subsequent measurement
The measurement of financial liabilities depend on their classification as follows:

Financial liabilities held for trading
Financial liabilities held for trading, comprising financial instruments other than derivatives are recorded in the statement of financial position at fair value. Changes in fair value are recognised in 'Net trading income'. Interest expense is recorded in 'Net trading income' according to the terms of the contract or when the right to the payment has been established. (These include money market deposits).

Financial liabilities designated at fair value through profit or loss

Financial liabilities at fair value through profit or loss are recorded in the statement of financial position at fair value. Interest incurred is accrued in interest expense according to the terms of the contract. (These include money market deposits).

Deposits
Deposits, Debt securities issued and subordinated liabilities are initially measured at fair value plus incremental direct transaction costs, and subsequently measured at their amortised cost using the effective interest rate method except where the Group chooses to carry the liabilities at fair value through profit or loss.

Other financial liabilities are measured at amortised cost.

Derecognition of financial assets and liabilities

Financial assets
A financial asset (or where applicable a part of a financial asset or part of a Group of similar financial assets) is derecognised where:
- the rights to receive cash flows from the asset have expired;
- the Group retains the right to receive cash flows from the asset but has assumed an obligation to pay them in full without material delay to a third party under a 'pass-through' arrangement; or
- the Group has transferred its right to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset or (b) has neither transferred nor retained substantially all the risks and rewards of the asset but has transferred control of the asset.

Where the Group has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to pay.

Where continuing involvement takes the form of a written and/or purchased option (including a cash-settled option or similar provision) on the transferred asset, the extent of the Group's continuing involvement is the amount of the transferred asset that the Group may repurchase except that in the case of a written put option (including a cash-settled option or similar provision) on an asset measured at fair value the extent of the Group's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

Financial liabilities
A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

Where an existing financial liability is replaced by another from the same lender on substantially different terms or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability and the difference in the respective carrying amounts is recognised in statement of comprehensive income.

1.10 IMPAIRMENT
The Group assesses at each statement of financial position date whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred "loss event") and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such changes in arrears or economic conditions that correlate with defaults.

Assets carried at amortised cost
The carrying amount of the asset shall be reduced either directly or through use of an allowance account if there is objective evidence that an impairment has been incurred. The amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). The amount of the loss shall be recognised in statement of comprehensive income.

The Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If it is determined that no objective evidence of impairment exists for an individually assessed financial asset whether significant or not, the asset is included in a group of financial assets with similar credit risk characteristics and that group of financial assets is collectively assessed for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

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. Any subsequent reversal of an impairment is recognised in the statement of comprehensive income to the extent that the carrying value of the asset does not exceed its amortised cost at the reversal date.

Assets carried at cost
If there is objective evidence that an impairment on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured or on a derivative asset that is linked to and must be settled by delivery of such an unquoted equity instrument has been incurred the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset.

Available-for-sale financial assets
If an available-for-sale asset is impaired an amount comprising the difference between its cost (net of any principal payment and amortisation) and its current fair value less any impairment previously recognised in profit or loss is transferred from equity to the statement of comprehensive income. Reversals in respect of equity instruments classified as available-for-sale are not recognised in profit. Reversals of impairment on debt instruments are reversed through profit or loss if the increase in fair value of the instrument can be objectively related to an event occurring after the impairment was recognised in statement of comprehensive income.

Other assets
The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists or when annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less cost to sell and its value in use and is determined for an individual asset unless the asset does not generate cash inflows that are largely independent of those from other assets or group of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects market assessments of the time value of money and the risks specific to the asset. Impairment of continuing operations are recognised in the statement of comprehensive income in those expense categories consistent with the function of the impaired asset.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment may no longer exist or may have decreased. If such indication exists the recoverable amount is estimated. A previously recognised impairment loss is reversed only if there has been a change in the estimate used to determine the asset's recoverable amount since the last impairment was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined net of depreciation had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in profit or loss unless the asset is carried at the revalued amount in which case the reversal is treated as a revaluation increase. After such a reversal the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount less any residual value on a systematic basis over its remaining useful life.

The Group complies with the regulatory guidelines in respect of its impairment policy and considers those guidelines when assessing impairment in accordance with the requirements of International Accounting Standard (IAS 36 – Impairment).

1.11 REVENUE RECOGNITION
Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured and the risks and rewards have passed to the Group.

Trading Income
The Group includes profits or losses and fair value adjustments on held for trading financial instruments both realised and unrealised in income as earned.

Interest Income
Revenue is recognised in the statement of comprehensive income on an accrual basis using the effective interest rate method, that is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial instrument to the net carrying amount of the financial asset.

Interest expense
Expense is recorded in the statement of comprehensive income according to the terms of the contract or when the right to the payment has been established. Interest expense is calculated on a time proportion basis using effective interest rate method.

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

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 statement of financial position 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.

Dividends
Revenue is recognised when the Group's right to receive the payment is established.

Premiums
Premiums written comprise the premiums on insurance contracts entered into during the year, irrespective of whether they relate in whole or in part to a later accounting period. Premiums are disclosed gross of commission to intermediaries and exclude taxes and levies based on premiums. Premiums written include adjustments to premiums written in prior accounting periods. Outward reinsurance premiums are accounted for in the same accounting period as the premiums for the related direct insurance or inwards reinsurance business. An estimate is made at the financial reporting date to recognise retrospective adjustments to premiums or commissions.

The earned portion of premiums received, including unclosed business, is recognised as revenue. Premiums on unclosed business are brought into account, based upon the pattern of booking of renewals and new business. Premiums are earned from the date of attachment of risk, over the indemnity period, based on the pattern of risks underwritten.

Outward reinsurance premiums are recognised as an expense in accordance with the patter or reinsurance service received. A portion of outwards reinsurance premiums is treated as prepayments.

Commission receivable
Commission receivable relating to the unexpired portion of a risk is recognised at the statement of financial position date calculated on a 1/365 basis.

Basis of accounting for underwriting activities
Underwriting results are determined on an annual basis whereby the incurred cost of claims, commission and related expenses is charged against the unearned proportion of premiums.

Claims
Claims represent the ultimate cost (net of salvage recoveries) of settling all claims arising from events that have occurred up to the statement of financial position date. Claims incurred but not reported are claims arising out of events which have occurred by the statement of financial position date but have not yet been reported at that date.

Unexpired risk provision
An unexpired risk provision is made for any deficiencies arising when unearned premiums, net of associated acquisition costs, are insufficient to meet expected claims and expenses likely to arise after the end of the financial year from contracts concluded before that date. The expected claims are calculated having regard to events that have occurred prior to the statement of financial position date. Unexpired risks, surpluses and deficit, are aggregated where business classes are managed together.

Liability adequacy test
At each statement of financial position date, the liability adequacy test is performed to ensure the adequacy of the contract liabilities net of Deferred Acquisition Costs (DAC). In performing these tests, current best estimates of future contractual cash flows and claims handling and administration costs are used. Any deficiency is immediately charged to the statement of comprehensive income initially by writing off the DAC and by subsequently establishing a provision for losses arising from liability adequacy tests (the unexpired risk provision). Any DAC written off as a result of this test is not reinstated.

Insurance and investment contracts
The company issues contracts that transfer insurance risk and / or financial risk.

Insurance contracts are those that transfer significant insurance risk. Significant insurance risk is defined as the risk of the company paying benefits on the occurrence of an insured uncertain event.

Investment contracts are those that transfer financial risk with no significant insurance risk.

Insurance contracts are classified as short term and include motor, fire, accident, engineering, farming and marine. Premium is recognised over the term of the contract on a proportionate basis. Claims are charged to the statement of comprehensive income based on an estimated liability for compensation. These claims are not discounted as settlement generally occurs within a reasonable period of the claim.

Insurance Assets
These comprise reinsurance receivables and deferred acquisition costs.

Reinsurance contracts held
Contracts entered into by the Group with the re-insurers whereby the Group recovers losses on insurance contracts issued are classified as reinsurance contracts held.

The benefits to which the Group is entitled under its reinsurance contracts are recognised as reinsurance assets. The assets consist of short term balances due from re-insurers (classified as reinsurance receivables). The amounts recoverable are measured consistently in accordance with the terms of the reinsurance contracts.

Acquisition Costs
Acquisition costs, which represent commission and other related expenses, are deferred over the period in which the related premiums are earned.

Lapses and reversals
Lapses relate to the termination of policies due to non-payment of premiums by policyholders. The subsidiary assesses the ability of an insured to settle outstanding amounts at each statement of financial position date. Whenever circumstances or events indicate that the insured may not pay the outstanding amount, a lapse is effected and immediately recognised in the statement of comprehensive income.

Reversals
Reversals relate to the voluntary termination of policies by policyholders. Reversals are recognised immediately in the statement of comprehensive income on a pro-rata basis i.e the unexpired term of a policy.

Premium taxes
Outstanding net amounts of levies recoverable from, or payable to, the taxation authorities are included as part of receivables or payables in the statement of financial position.

Co-insurance
Included in the gross premium is co-insurance premium net off Co-insurer's portion.

Claims handling costs
Claims incurred include the cost of all claims incurred during the year including internal and external claims handling costs that are directly related to the processing and settlement of claims.

1.12 EMPLOYEE BENEFITS
Employee benefits are the consideration given by the Group in exchange for services rendered by employees. In summary such benefits are:

Short-term benefits
Benefits earned by employees under normal employment terms including salaries, wages, bonuses and leave pay. These are expensed as earned and accordingly provisions are made for unpaid bonuses and leave pay.

Post-employment benefits
i)The Group and employees contribute towards the National Social Security Authority, a defined contribution fund. Costs applicable to this scheme are determined by the systematic recognition of legislated contributions.
ii)The Group operates a defined contribution scheme, the assets of which are held in a separate trustee-administered fund. The costs are charged to the statement of comprehensive income as incurred.

1.13 CONTINGENCIES AND COMMITMENTS
Transactions are classified as contingencies where the Group's obligations depend on uncertain future events and principally consist of third party obligations underwritten. Items are classified as commitments where the Group commits itself to future transactions or if the items will result in the acquisition of assets.

1.14 INSTALMENT CREDIT AGREEMENTS
Leases, instalment credit and rental agreements are regarded as financing transactions. The capital amounts and capitalized interest less repayments are included under advances. Finance charges earned are computed at effective rates of interest inherent in the contracts.

1.15 OPERATING SEGMENTS
An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses including revenue and expenses that relate to transactions with any of the Group's other components. All operating segments' operating results are reviewed regularly by the Group Chief Executive Officer to make decisions about resources to be allocated to the segment and assess its performance, for which discreet information is available.

1.16 FIDUCIARY ACTIVITIES
The Group's Asset Management subsidiary acts as a trustee in other fiduciary capacities that result in the holding or placing of assets on behalf of individuals, trusts, post employment benefit plans and other institutions. These assets and income arising thereon are excluded from these consolidated financial statements as they are not assets of the Group.

1.17 FINANCIAL GUARANTEES
Financial guarantees are contracts that require the Group to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument. Financial guarantee liabilities are initially recognised at their fair value, and the initial fair value is amortised over the life of the financial guarantee. The guarantee liability is subsequently carried at the higher of this amortised amount and the present value of any expected payment (when a payment under the guarantee has become probable).

1.18 EARNINGS PER SHARE
The Group presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period, adjusted for own shares held. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding, adjusted for own shares held, the effects of all potentially dilutive ordinary shares.

1.19 INTANGIBLE ASSETS
Intangible assets are recorded at cost less any accumulated amortisation and impairment losses.

The estimated useful life at the end of this reporting period for computer software is 3 years.

1.20 LEASED ASSETS
Leases in terms of which the Group assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset. All other leases not qualifying as finance leases are classified as operating leases. Expenditure relating to operating leases is accounted for through the statement of comprehensive income and according to the specifications of the lease agreement.

Except for the investment property, the leased assets are not recognised on the Group's statement of financial position. Investment property held under an operating lease is recognised on the Group's statement of financial position at its fair value.

1.21 SHARE CAPITAL

Ordinary share capital
Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares and share options are recognised as a deduction from equity, net of any tax effects.

Repurchase of share capital (treasury shares)
When share capital recognised as equity is repurchased, the amount of the consideration paid, which includes directly attributable costs, net of any tax effects, is recognised as a deduction from equity. Repurchased shares are classified as treasury shares and are presented as a deduction from total equity. When treasury shares are sold or reissued subsequently, the amount received is recognised as an increase in equity, and the resulting surplus or deficit on the transaction is transferred to / from retained earnings.

1.22 RELATED PARTIES
Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions. The Group has related party relationships with its shareholders, subsidiaries, associates, Directors and key Management employees, and their close family members.

1.24 GOING CONCERN
The Directors have assessed the ability of the Group to continue operating as a going concern and believe that the preparation of these financial statements on a going concern basis is still appropriate. The directors have engaged themselves to continuously assess the ability of the Group to continue to operate as a going concern, and the continued appropriateness of the going concern assumption that has been applied in the preparation of these financial statements.

ADOPTION OF FUTURE REPORTING STANDARDS

A number of new standards, amendments to standards and interpretations are not yet effective for the year ended 31 December 2011 and have not been applied in preparing these financial statements. These include:

- IFRS 7 - Financial Instruments: Disclosures - Amendments enhancing disclosures about transfers of financial assets (effective for annual financial statements for periods beginning on or after 1 July 2011).
- IFRS 7 - Financial Instruments: Disclosures - Amendments enhancing disclosures about offsetting of financial assets and financial liabilities (effective for annual financial statements for periods beginning on or after 1 January 2013).
- IFRS 7 Financial Instruments: Disclosures - Amendments requiring disclosures about the initial application of IFRS 9 (effective for annual financial statements for periods beginning on or after 1 January 2015).
- IFRS 9 Financial Instruments - Classification and measurement of financial assets (effective for annual financial statements for periods beginning on or after 1 January 2015).
- IFRS 9 Financial Instruments - Accounting for financial liabilities and derecognition (effective for annual financial statements for periods beginning on or after 1 January 2015).
- IFRS 10 Consolidated Financial Statements (effective for annual financial statements for periods beginning on or after 1 January 2013).
- IFRS 11 Joint Arrangements (effective for annual financial statements for periods beginning on or after 1 January 2013).
- IFRS 12 - Disclosure of Interests in Other Entities (effective for annual financial statements for periods beginning on or after 1 January 2013).
- IFRS 13 – Fair Value Measurement (effective for annual financial statements for periods beginning on or after 1 January 2013).
- Revised IAS 1 - Presentation of Financial Statements - Amendments to revise the way other comprehensive income is presented (effective for annual financial statements for periods beginning on or after 1 July 2012).
- Revised IAS 19 - Employee Benefits - Amended Standard resulting from the Post-Employment Benefits and Termination Benefits projects (effective for annual financial statements for periods beginning on or after 1 July 2012)
- Revised IAS 27 - Consolidated and Separate Financial Statements - Reissued as IAS 27 Separate Financial Statements (as amended in 2011) (effective for annual financial statements for periods beginning on or after 1 January 2013).
- Revised IAS 28 - Investments in Associates -Reissued as IAS 28 Investments in Associates and Joint Ventures (as amended in 2011) (effective for annual financial statements for periods beginning on or after 1 January 2013).
- Revised IAS 32 - Financial Instruments: Presentation - Amendments to application guidance on the offsetting of financial assets and financial liabilities (effective for annual financial statements for periods beginning on or after 1 January 2014).
- IFIC 20 - Stripping Costs in the Production Phase of a Surface Mine (effective for annual financial statements for periods beginning on or after 1 January 2014).

The following revisions, issues and amendments set out below became effective for the current year:

- Revised IFRS 3 Business Combinations.
- Revised IFRS 7 Financial Instruments: Disclosures - Amendments resulting from May 2010 Annual Improvements to IFRSs
- IAS 24 Related Party Disclosures - Revised definition of related parties
- IAS 27 Consolidated and Separate Financial Statements - Amendments resulting from May 2010 Annual Improvements to IFRSs
- IAS 32 Financial Instruments: Presentation - Amendments relating to classification of rights issues

The adoption of these revised standards and interpretations in the current year has not led to any significant changes in the Group's accounting policies. These standards do not have any financial effect on the recognition or measurement of transactions and events, nor the financial position or performance of the Group. Their effects are limited to the nature and extent of disclosure to be made by the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2011

INCORPORATION AND ACTIVITIES

1. The consolidated financial statements of the Group for the year ended 31 December 2011 were authorised for issue in accordance with a resolution of the Board of Directors on 23 March 2012.

The Group offers commercial banking, mortgage finance, asset management, short term insurance, life assurance and other financial services and is incorporated in Zimbabwe.

	31 Dec 2011 US$	31 Dec 2010 US$
2. INTEREST		
Interest income		
Bankers acceptances	364 607	22 293
Overdrafts	71 559 792	38 702 345
Loans	29 585 791	20 538 155
Mortgage interest	3 213 668	791 855
Staff loans	2 612 136	1 341 379
	107 335 994	**61 396 027**
Short-term money market assets	954 286	1 600 353
Other investments	1 273 104	2 834 756
	109 563 384	**65 831 136**
Interest expense		
Call deposits	172 536	43 250
Savings deposits	7 052 546	5 514 155
Money market deposits	17 103 312	11 204 926
Other offshore deposits	10 181 108	4 903 207
	34 509 502	**21 665 538**
3. NON-INTEREST INCOME		
Net income from trading securities	235 887	312 438
Fair value adjustments on financial instruments	(322 452)	(246 211)
Fair value adjustments on investment properties	1 291 339	2 491 968
Net income from foreign currencies dealings	6 306 960	1 792 989
Commission and fee income	20 615 763	17 599 944
Profit/(loss) on sale of assets	366 432	(145 169)
Other operating income	16 369 516	14 521 873
	44 863 445	**36 327 832**
4. UNDERWRITING INCOME (NET)		
Gross premium insurance	7 554 730	4 116 185
Reinsurance	(3 508 597)	(1 963 301)
Net written premium	4 046 133	2 152 884
Unearned premium	(53 134)	(617 066)
Net earned premium	3 992 999	1 535 818
Net commission	(81 146)	(50 210)
Net claims	(738 074)	(411 094)
	3 173 779	**1 074 514**
5. OPERATING EXPENDITURE		
Staff costs	37 986 959	26 950 135
Administration expenses	27 168 884	24 412 603
Audit fees	394 260	284 000
Depreciation	3 834 270	2 633 899
Amortisation of intangible assets	171 711	109 024
	69 556 084	**54 389 661**
Remuneration of Directors and key Management personnel (included in staff costs)		
Fees for services as directors	592 642	388 643
Pension for past and present directors	96 556	54 247
Salaries and other benefits	4 017 256	2 675 391
	4 706 454	**3 118 281**
Operating Leases		
The following is an analysis of expenses related to operating leases; Non-cancellable lease rentals are payable as follows;		
Less than 1 year	145 255	224 758
Between 1 and 5 years	1 077 368	1 035 672
	1 222 623	**1 260 430**

The Group leases a number of branches under operating leases. The leases typically run for a period of less than five years with an option to renew the lease after the date. During the year ended 31 December 2011, an amount of US$977 610 was recognised as rent expense in statement of comprehensive income.

	31 Dec 2011 US$	31 Dec 2010 US$ (restated)
6. TAXATION		
Current income tax and deferred tax on temporary differences have been fully provided for. Deferred income tax is calculated using the statement of financial position liability method.		
6.1 Analysis of tax charge in respect of the profit for the year		
Current income tax charge	13 632 552	8 752 272
Deferred income tax	(5 769 660)	(1 985 819)
Income tax expense	**7 862 892**	**6 766 453**
6.2 Tax rate reconciliation	%	%
Notional Tax	25.00	25.00
Aids levy	0.75	0.75
Permanent differences	(5.17)	0.74
Effective tax rate	**20.58**	**26.49**
Prior year deferred income tax was restated. Refer to note 29.		
6.3 Tax effects relating to comprehensive income		
Gross revaluation adjustment	3 426 793	6 109 871
Tax expense	(423 412)	(887 081)
Net revaluation adjustment	**3 003 381**	**5 222 790**
Gross fair value adjustment on AFS financial assets	(234 166)	(635 037)
Tax credit	1 382	10 224
Net fair value adjustment on AFS financial adjustments	**(232 784)**	**(624 813)**
Total Taxation	**422 030**	**876 857**

	31 Dec 2011 US$	31 Dec 2010 US$
7. BALANCES WITH BANKS AND CASH		
Balance with the Reserve Bank of Zimbabwe	**84 085 995**	**68 578 923**
Statutory reserve	9 442 548	9 564 648
Current accounts	74 643 447	59 014 275
Balances with other banks and cash	**58 367 861**	**62 473 468**
Cash foreign	33 486 369	42 880 747
Nostro accounts	19 146 027	19 590 774
Interbank clearing accounts	5 735 465	1 947
	142 453 856	**131 052 391**

Balances with Reserve Bank of Zimbabwe (RBZ) are deemed to be available within 3 months of call and as such, these have been classified as balances with banks and cash. In addition, the RBZ has committed to issue discountable and tradable bills against such balances.

8. EARNINGS PER SHARE

Basic earnings per share amounts are calculated by dividing net profit for the year attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the period. Diluted earnings per share amounts are calculated by dividing the net profit attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares adjusted for the effects of all potentially dilutive ordinary shares.

The following reflects the income and share data used in the basic and diluted earnings per share computations

	31 Dec 2011 US$	31 Dec 2010 US$ (restated)
8.1 EARNINGS		
Basic earnings	30 220 998	18 718 923
Fully diluted	30 220 998	18 718 923
8.2 Reconciliation of denominators used for calculating basic and diluted earnings per share		
Weighted average number of shares before adjustment for treasury shares	684 144 546	684 144 546
Less: Treasury Shares held	(58 572 695)	(58 572 695)
Weighted average number of shares used for basic EPS	625 571 851	625 571 851
Potentially dilutive shares	-	-
Weighted average number of shares used for diluted EPS	625 571 851	625 571 851

	31 Dec 2011 US$	31 Dec 2010 US$
9. DIVIDENDS		
Interim dividend paid	820 973	-
Final dividend proposed	889 388	-
	1 710 361	-
10. MONEY MARKET ASSETS		
Agro Bills	40 000	20 000
Call placements	7 774 842	22 061 333
Accrued interest	143 536	66 804
	7 958 378	**22 148 137**
Money market Portfolio analysis		
Held to maturity	2 908 378	-
Held for trading portfolio	5 050 000	22 148 137
	7 958 378	**22 148 137**
Maturity analysis		
Between 1 and 3 months	7 390 012	22 128 137
Between 3 months and 1 year	548 031	20 000
Between 1 and 5 years	20 335	-
	7 958 378	**22 148 137**
10.1 Financial assets held for trading		
Trading bills and placements	7 958 378	22 148 137
Maturity value	7 960 410	22 669 613
Book value	7 958 378	22 148 137
10.2 Financial assets classification		
Financial assets held for trading	5 050 000	20 833 496
Financial assets designed at fair value through profit or loss	2 908 378	1 314 641
	7 958 378	**22 148 137**
11. ADVANCES		
Overdrafts	437 704 208	290 993 074
Loans	302 849 722	113 206 260
Mortgage advances	64 761 038	38 343 248
	805 314 968	**442 542 582**
Interest accrued	6 692 322	7 190 220
Total gross advances	**812 007 290**	**449 732 802**
Impairment	(21 667 170)	(5 127 401)
	790 340 120	**444 605 401**

11.1 Sectorial analysis	31 Dec 2011	%	31 Dec 2010	%
Private	93 207 221	11	49 837 939	11
Agriculture	233 144 973	29	117 581 292	26
Mining	7 209 438	1	7 869 575	2
Manufacturing	114 845 350	14	72 164 666	16
Distribution	184 867 072	23	116 617 977	26
Construction	20 669 243	3	13 878 444	3
Transport	44 413 867	5	14 274 134	4
Communication	5 014 143	1	9 849 217	2
Services	107 625 300	13	47 049 651	10
Financial Organisations	1 010 683	0	609 907	0
	812 007 290	**100**	**449 732 802**	**100**

11.2 Maturity analysis	31 Dec 2011	31 Dec 2010
Demand	439 314 162	301 403 928
Between 1 and 3 months	28 428 127	33 005 280
Between 3 and six months	11 446 062	24 872 906
Between 6 and 1 year	66 610 638	53 138 033
Between 1 and 5 years	226 932 346	13 786 500
More than 5 years	39 275 955	23 526 155
	812 007 290	**449 732 802**

Maturity analysis is based on the remaining period from 31 December 2011 to contractual maturity.

	31 Dec 2011 US$	31 Dec 2010 US$
11.3 Loans to Directors, key Management and employees		
Loans to Directors and key Management		
Included in advances are loans to executive directors and key management:-		
Opening balance	1 916 176	1 363 123
Advances made during the year	3 810 362	2 054 208
Repayment during the year	(2 191 853)	(1 501 155)
Closing balance	**3 534 685**	**1 916 176**
Loans to employees		
Included in advances are loans to employees: -		
Opening balance	25 274 085	4 448 525
Advances made during the year	18 917 641	27 002 738
Repayments during the year	(8 721 001)	(6 177 178)
Closing balance	**35 470 725**	**25 274 085**
11.4 Non performing advances		
Total advances on which interest is suspended	48 022 911	1 744 826
11.5 Impairment of advances		
Opening balance	5 127 401	3 508 076
Charge for impairment	14 437 074	1 596 313
Interest in suspense	2 102 694	3 970
Amounts written off during the year	-	19 042
Closing balance	**21 667 169**	**5 127 401**
Comprising:		
Specific impairments	7 285 965	728 425
Portfolio impairments	14 381 204	4 398 976
	21 667 169	**5 127 401**

	31 Dec 2011 US$	31 Dec 2010 US$
11.6 Collaterals		
Notarial general covering bonds	317 736 043	302 202 874
Mortgage bonds	549 288 548	203 483 507
	867 024 591	**505 686 381**
12. INSURANCE ASSETS		
Reinsurance receivables	1 322 377	1 087 850
Deferred acquisition cost	198 826	179 527
	1 521 203	**1 267 377**
13. OTHER ASSETS		
Work in progress	4 440 617	-
Grange stands inventory	4 410 374	5 894 807
Prepaid bond costs	3 538 669	1 134 784
Prepayments and deposits	401 401	458 447
Sundry debtors	5 560 217	2 293 902
	18 351 278	**9 781 940**
14. INVESTMENTS IN EQUITIES		
Listed investments	2 290 360	2 723 516
Unlisted investments	162 498	162 498
	2 452 858	**2 886 014**
At cost	162 498	547 424
At fair value	2 290 360	2 338 590
	2 452 858	**2 886 014**
Portfolio analysis		
Trading	-	2 359 908
Available for sale	2 452 858	526 106
	2 452 858	**2 886 014**
14.1 Investment in associate		
Opening balance	-	8 671
Share of loss for the period	-	(38 648)
Net share of associate's equity	-	(29 977)
Transfer from ordinary investments	-	115 000
Disposal	-	(85 023)
Closing balance	-	-

CBZ Holdings Limited had a 38.4% shareholding in Transcontinental Equity Growth Fund which it disposed of on 30 June 2010.

	31 Dec 2011 US$	31 Dec 2010 US$
Associate's net asset position on disposal		
Total assets	-	170 737
Total liabilities	-	(248 574)
Net assets	-	(77 837)
Associate's performance for the period		
Revenue	-	35 468
Operating expenditure	-	(135 853)
Loss for the period	-	(100 385)
14.2 Investment in Subsidiaries	**%**	**%**
CBZ Bank Limited	100	100
CBZ Asset Management	100	100
CBZ Building Society	100	100
CBZ Insurance (Private) Limited	58.5	58.5
CBZ Properties (Private) Limited	100	100
CBZ Life (Private) Limited	100	100

15. PROPERTY AND EQUIPMENT

	Land US$	Buildings US$	Leasehold US$	Motor Vehicles US$	Computers and equipment US$	WIP US$	31 Dec 2011 US$	31 Dec 2010 US$
Cost								
Opening balance	3 645 269	37 802 933	390 785	2 267 824	12 544 030	3 300 584	59 951 425	56 442 505
Revaluation Reserve	211 133	2 281 300	-	-	-	-	2 492 433	4 879 781
Additions	-	971 646	62 672	939 116	4 186 624	4 743 413	10 903 471	7 328 520
Disposals	-	-	(13 578)	(218 279)	(261 503)	(381 468)	(874 828)	(1 465 482)
Transfers	-	(188 595)	(8 595)	77 760	327 935	(447 156)	(238 651)	(7 233 899)
Closing balance	**3 856 402**	**40 867 284**	**431 284**	**3 066 421**	**16 797 086**	**7 215 373**	**72 233 850**	**59 951 425**
Accumulated depreciation								
Opening balance	-	-	54 051	531 407	2 434 589	-	3 020 047	1 714 903
Charge for the year	-	934 359	38 689	548 885	2 312 337	-	3 834 270	2 633 899
Disposals	-	-	-	(112 633)	(75 051)	-	(187 684)	(98 666)
Revaluation	-	(934 359)	-	-	-	-	(934 359)	(1 230 089)
Closing balance	-	-	92 740	967 659	4 671 875	-	5 732 274	3 020 047
Net book value	**3 856 402**	**40 867 284**	**338 544**	**2 098 762**	**12 125 211**	**7 215 373**	**66 501 576**	**56 931 378**

Properties were revalued on an open market basis by an independent professional valuer Mabikacheche and Asssociates as at 31 December 2011 in accordance with the Royal Institute of Chartered Surveyors Appraisal and Valuation Manual and the Real Estate Institute of Zimbabwe Standards.

The carrying amount of buildings would have been US$27 456 043 had they been carried at cost. Property and equipment was tested for impairment through comparison with open market values determined by independent valuers. No impairment was identified from the test.

	31 Dec 2011 US$	31 Dec 2010 US$
16. INVESTMENT PROPERTIES		
Opening balance	16 138 587	10 590 692
Additions	229 200	628 719
Disposals	(76 667)	-
Transfer from property and equipment	238 651	6 903 899
Transfer to other assets	-	(4 476 691)
Fair valuation gain	1 291 339	2 491 968
Closing balance	**17 821 110**	**16 138 587**

The carrying amount of the investment property is the fair value of the property as determined by a registered independent appraiser having an appropriate recognised professional qualification and recent experience in the location and category of the property being valued. The valuation was in accordance with the Royal Institute of Chartered Surveyors Appraisal and Valuation Manual and the Real Institute of Zimbabwe standards. Fair values were determined having regard to recent market transactions for similar properties in the same location as the Group's investment properties. The properties were valued as at 31 December 2011.

The rental income derived from investment properties amounted to US$810 767 with direct operating expenses amounting to US$160 774.

	31 Dec 2011 US$	31 Dec 2010 US$
17. INTANGIBLE ASSETS		
Computer software		
At cost	2 818 128	934 804
Accumulated amortisation	(280 735)	(109 024)
	2 537 393	825 780
Movement in intangible assets:		
Opening balance	825 780	189 002
Additions	1 883 324	415 802
Transfer from property and equipment	-	330 000
Amortisation charge	(171 711)	(109 024)
Closing balance	**2 537 393**	**825 780**

Intangible assets are carried at cost less accumulated amortisation charge.
The intangible assets are amortised over a useful life of 3 years.

	31 Dec 2011 US$	31 Dec 2010 US$ (restated)
18. DEFERRED TAXATION		
Deferred tax related to items charged or credited to statement of comprehensive income during the period is as follows:		
Revaluation of property and equipment	423 412	887 081
Fair value adjustment – Available for sale financial assets	(1 382)	(10 224)
	422 030	**876 857**
The deferred tax included in the statement of financial position and changes recorded in the income tax expenses are as follows:		
Defered tax liability		
Fair value adjustments	(12 134)	489 769
Prepayments	(613 893)	118 631
Property and equipment	(234 271)	2 885 079
Other	(299 256)	(4 790 151)
	(1 159 554)	**(1 296 672)**
Add:		
Opening balance	3 836 714	4 256 529
Closing balance	**3 099 190**	**3 836 714**
Deferred tax asset		
Opening balance	1 149 573	460 425
Assesed loss	1 220 010	702 584
Impairments and provisions	3 533 357	-
Other	(143 216)	(13 436)
Closing balance	**5 759 724**	**1 149 573**

Prior year deferred tax was restated. Refer to note 29.

	31 Dec 2011 US$	%	31 Dec 2010 US$	%
19. DEPOSITS				
Call deposits	26 808		1 458	
Savings and other deposits	533 077 617		466 917 945	
Money market deposits	244 890 626		108 927 965	
Accrued interest	5 018 593		2 520 185	
	783 013 644		**578 367 553**	
Deposits by source				
Banks	85 403 943		76 500 000	
Money market	153 728 389		108 920 365	
Customers	543 881 312		392 947 188	
	783 013 644		**578 367 553**	
Sectorial Analysis		**%**		**%**
Private	108 813 415	14	96 819 472	17
Agriculture	27 295 950	3	15 178 046	2
Mining	9 415 351	1	3 554 194	1
Manufacturing	99 693 604	13	92 385 588	16
Distribution	105 713 733	14	94 939 653	16
Construction	19 113 509	2	5 651 751	1
Transport	12 885 970	2	9 205 944	2
Communication	49 814 741	6	36 311 889	6
Services	160 768 349	21	126 834 959	22
Financial organisations	159 921 429	20	80 397 991	14
Financial and investments	29 577 593	4	17 088 066	3
	783 013 644	**100**	**578 367 553**	**100**
Maturity analysis				
Repayable on demand	550 445 283		392 625 669	
Between 1 and 3 months	99 207 182		107 441 884	
Between 3 months and 1 year	74 200 453		72 520 000	
More than 1 year	59 160 726		5 780 000	
	783 013 644		**578 367 553**	

Maturity analysis is based on the remaining period from 31 December 2011 to contractual maturity.

	31 Dec 2011 US$	31 Dec 2010 US$
20. INSURANCE LIABILITIES		
Reinsurance payables	840 582	303 859
Gross outstanding claims	315 978	531 961
Gross unearned premium reserve	2 383 723	1 274 885
Deferred reinsurance acquisition revenue	334 051	144 612
	3 874 334	**2 255 317**
21. OTHER LIABILITIES		
Revenues recieved in advance	17 286 586	7 432 259
Sundry creditors	7 859 358	471 159
Salaries outward suspense	33 997 421	-
RTGS suspense	28 919 232	-
Other	6 274 281	4 015 563
	94 336 878	**11 918 981**
22. SHARE CAPITAL		
Authorised		
1 000 000 000 ordinary shares	10 000 000	10 000 000
Issued and fully paid		
684 144 546 ordinary shares of 1cent each	6 841 445	6 841 445

During the year of 2010, the shareholders approved the redenomination of the authorised share capital of the company to US$10 000 000 (Ten million dollars) divided into 1 000 000 000 (1 billion) ordinary shares of a nominal value of US$0.01 (1 cent) each. Furthermore, the shareholders approved the redenomination of the issued share capital of the Company to US$6 841 445 divided into 684 144 546 ordinary shares of a nominal value of US$0.01 each. Pursuant to the redenomination above, the shareholders authorised the directors to transfer from the non-distributable reserve to share capital, US$ 6 841 445 and to share premium, US$26 708 659.

	31 Dec 2011 US$	31 Dec 2010 US$
22.1 Non-distributable Reserve		
Opening Balance	13 000 000	46 550 104
Movement for the year	-	(33 550 104)
Closing Balance	**13 000 000**	**13 000 000**
22.2 Revenue Reserve		
Revenue reserves comprise:		
Holding company	(2 425 676)	(1 966 142)
Subsidiary companies	63 261 447	33 433 193
Effects of consolidation journals	(3 270 584)	(3 366 730)
	57 565 187	**28 100 321**
22.3 Non controlling interests		
Opening balance	210 296	53 161
Total comprehensive income	122 303	57 946
Rights Issue	59 124	99 189
Closing balance	**391 723**	**210 296**
22.4 Share premium		
Share capital redenomination	**26 708 659**	**26 708 659**
22.5 Available-for-sale reserve		
Opening balance	(403 713)	221 100
Total comprehensive income	(232 784)	(624 813)
Closing balance	**(636 497)**	**(403 713)**
23. BOND		
Principle	46 750 620	-
Accrued interest	132 460	-
Total	**46 883 080**	-

The Bond, termed Zimbabwe Economic Recovery Bond (ZERB), is listed on the Cayman Islands Stock Exchange. During the year, the CBZ Bank Limited issued the ZERB which has a tenure of 3 years from date of issue to maturity date on 20 April 2014 and pays a coupon of 8.5 % per annum. The Bond is guaranteed by the African Import and Export Bank.

24 GAP ANALYSIS

24.1 Liquidity Profile as at 31 December 2011

	Demand US$	1 to 3 months US$	3 months to 1 year US$	1 to 5 years US$	Above 5 years US$	Total US$
Assets						
Advances	417 646 993	28 428 127	78 056 700	226 932 346	39 275 954	790 340 120
Balances with banks and cash	58 789 018	83 664 838	-	-	-	142 453 856
Investment in equities	-	-	-	-	2 452 858	2 452 858
Money market assets	-	7 430 012	508 031	20 335	-	7 958 378
Financial guarantees	-	-	-	8 518 322	-	8 518 322
Total	**476 436 011**	**119 522 977**	**78 564 731**	**235 471 003**	**41 728 812**	**951 723 534**
Liabilities						
Deposits	550 445 283	99 207 182	74 200 453	59 160 726	-	783 013 644
Bond	-	-	-	46 883 080	-	46 883 080
Current tax payable	-	5 241 028	-	-	-	5 241 028
Other liabilities	-	-	94 336 878	-	-	94 336 878
Financial guarantees	-	-	-	8 518 322	-	8 518 322
Total	**550 445 283**	**104 448 210**	**168 537 331**	**114 562 128**	**-**	**937 992 952**
Liquidity gap	(74 009 272)	15 074 767	(89 972 600)	120 908 875	41 728 812	13 730 582
Cummulative liquidity gap	(74 009 272)	(58 934 505)	(148 907 105)	(27 998 230)	13 730 582	13 730 582

Liquidity Profile as at 31 December 2010

	Demand US$	1 to 3 months US$	3 months to 1 year US$	1 to 5 years US$	Above 5 years US$	Total US$
Assets						
Advances	296 276 528	33 005 280	78 010 939	13 786 500	23 526 154	444 605 401
Balances with banks and cash	82 430 150	48 622 241	-	-	-	131 052 391
Investment in equities	-	-	-	-	2 886 014	2 886 014
Money market assets	-	22 148 137	-	-	-	22 148 137
Financial guarantees	-	-	-	18 668 136	-	18 668 136
Total	**378 706 678**	**103 775 658**	**78 010 939**	**32 454 636**	**26 412 168**	**619 360 079**
Liabilities						
Deposits	392 625 669	107 441 884	72 520 000	5 780 000	-	578 367 553
Current tax payable	-	3 575 561	-	-	-	3 575 561
Other liabilities	-	-	11 918 981	-	-	11 918 981
Financial guarantees	-	-	-	18 668 136	-	18 668 136
Total	**392 625 669**	**111 017 445**	**84 438 981**	**24 448 136**	**-**	**612 530 231**
Liquidity gap	(13 918 991)	(7 241 787)	(6 428 042)	8 006 500	26 412 168	6 829 848
Cumulative liquidity gap	(13 918 991)	(21 160 778)	(27 588 820)	(19 582 320)	6 829 848	6 829 848

Details of the liquidity ratio for CBZ Bank Limited and CBZ Building Society at the reporting date and during the reporting period were as follows:

	CBZ Bank Limited %	CBZ Building Society %
At 31 December 2011	25.99	10.15
Average for the period	27.83	17.96
Maximum for the period	29.66	30.64
Minimum for the period	22.76	10.15

24.2 Interest rate risk

This is the risk that a change in interest rates will have a negative effect on the Group`s future cash flows or earnings where the repricing terms as well as the maturity structure of the funding liabilities and related assets are not properly matched. This is adequately managed through Asset and Liability management processes.

24. 2. (a) Interest rate repricing

December 2011

	Demand US$	1 to 3 months US$	3 months to 1 year US$	1 to 5 years US$	Above 5 years US$	Non Interest Bearing US$	Total US$
Assets							
Balance with banks and cash	58 789 018	83 664 838	-	-	-	-	**142 453 856**
Money market assets	-	7 430 012	508 031	20 335	-	-	**7 958 378**
Advances	417 646 993	28 428 126	78 056 700	226 932 346	39 275 955	-	**790 340 120**
Insurance Assets	-	-	-	-	-	1 521 203	**1 521 203**
Other Assets	-	-	-	-	-	18 351 278	**18 351 278**
Investment in equities	-	-	-	-	-	2 452 858	**2 452 858**
Investment Properties	-	-	-	-	-	17 821 110	**17 821 110**
Property and equipment	-	-	-	-	-	66 501 576	**66 501 576**
Deferred taxation	-	-	-	-	-	5 759 724	**5 759 724**
Intangible Assets	-	-	-	-	-	2 537 393	**2 537 393**
Total Assets	**476 436 011**	**119 522 976**	**78 564 731**	**226 952 681**	**39 275 955**	**114 945 142**	**1 055 697 496**
Liabilities and Equity							
Deposits	550 445 283	99 207 182	74 200 453	59 160 726	-	-	783 013 644
Bond	-	-	-	46 883 080	-	-	46 883 080
Insurance liabilities	-	-	-	-	-	3 874 334	3 874 334
Other liabilities	-	-	-	-	-	94 336 878	94 336 878
Deferred taxation	-	-	-	-	-	3 099 190	3 099 190
Current tax payable	-	-	-	-	-	5 241 028	5 241 028
Equity and reserves	-	-	-	-	-	119 249 342	119 249 342
Total Equity and liabilities	**550 445 283**	**99 207 182**	**74 200 453**	**106 043 806**	**-**	**225 800 772**	**1 055 697 496**
Interest rate repricing gap	(74 009 272)	20 315 794	4 364 278	120 908 875	39 275 955	(110 855 630)	-
Cumulative gap	(74 009 272)	(53 693 478)	(49 329 200)	71 579 675	110 855 630	-	-

December 2010

	Demand US$	1 to 3 months US$	3 months to 1 year US$	1 to 5 years US$	Above 5 years US$	Non Interest Bearing US$	Total US$
Assets							
Balance with banks and cash	79 204 576	51 847 815	-	-	-	-	131 052 391
Money market assets	-	22 148 137	-	-	-	-	22 148 137
Advances	296 276 528	33 005 280	78 010 939	13 786 500	23 526 154	-	444 605 401
Insurance Assets	-	-	-	-		1 267 377	1 267 377
Other Assets	-		-	-	-	9 781 940	9 781 940
Investments	-	-	-	-	-	2 886 014	2 886 014
Investment Properties	-	-	-	-	-	16 138 587	16 138 587
Property and equipment	-	-	-	-	-	56 931 378	56 931 378
Deferred taxation	-	-	-	-	-	1 149 573	1 149 573
Intangible Assets	-	-	-	-	-	825 780	825 780
Total Assets	**375 481 104**	**107 001 232**	**78 010 939**	**13 786 500**	**23 526 154**	**88 980 649**	**686 786 578**
Liabilities and Equity							
Deposits	392 625 669	107 441 885	72 519 999	5 780 000	-	-	578 367 553
Insurance liabilities	-	-	-	-	-	2 255 317	2 255 317
Other liabilities	-	-	-	-	-	11 918 981	11 918 981
Deferred taxation	-	-	-	-	-	3 836 714	3 836 714
Current tax payable	-	3 575 561	-	-	-	-	3 575 561
Equity and reserves	-	-	-	-	-	86 832 452	86 832 452
Total Equity and liabilities	**392 625 669**	**111 017 446**	**72 519 999**	**5 780 000**	**-**	**104 843 464**	**686 786 578**
Interest rate repricing gap	(17 144 565)	(4 016 214)	5 490 940	8 006 500	23 526 154	(15 862 815)	-
Cumulative gap	(17 144 565)	(21 160 779)	(15 669 839)	(7 663 339)	15 862 815	-	-

24.3 Exchange rate risk

The risk arises from the changes in exchange rates and originates from mismatches between the values of assets and liabilities denominated in different currencies and can lead to losses if there is an adverse movement in exchange rates where open positions either spot or forward, are taken for both on and off – statement of financial position transactions.

The Group manages this risk by ensuring strict control of any exposure to exchange risk by its treasury function through adherence to Asset and Liability management requirements and benchmarks.

Foreign Currency position as at 31 December 2011

Position expressed in US$

	Total	USD	ZAR	GBP	Other Foreign Currencies
Assets					
Balances with banks and cash	142 453 856	118 764 861	17 690 720	2 133 955	3 864 320
Money market assets	7 958 378	7 958 378	-	-	-
Advances	790 340 120	788 211 901	319 898	1 614 925	193 396
Insurance assets	1 521 203	1 521 203	-	-	-
Other assets	18 351 277	18 062 343	256 374	33 150	(590)
Investment in equities	2 452 858	2 348 137	-	-	104 721
Investment properties	17 821 110	17 821 110	-	-	-
Property and equipment	66 501 577	66 418 598	6 869	-	76 110
Deferred taxation	5 759 724	5 759 724	-	-	-
Intangible assets	2 537 393	2 537 393	-	-	-
Total Assets	**1 055 697 496**	**1 029 403 648**	**18 273 861**	**3 782 030**	**4 237 957**
Liabilities and Equity					
Deposits	783 013 644	738 942 026	21 220 767	3 937 266	18 913 585
Bond	46 883 080	46 883 080	-	-	-
Insurance liabilities	3 874 334	3 874 334	-	-	-
Other liabilities	94 336 878	84 000 809	4 019 595	1 773 223	4 543 251
Current tax payable	5 241 028	5 241 028	-	-	-
Deferred taxation	3 099 190	3 099 190	-	-	-
Equity and reserves	119 249 342	119 249 342	-	-	-
Total equity and liabilities	**1 055 697 496**	**1 001 289 809**	**25 240 362**	**5 710 489**	**23 456 836**

Foreign Currency position as at 31 December 2010
Position expressed in US$

	Total	USD	ZAR	GBP	Other Foreign Currencies
Assets					
Balances with banks and cash	131 052 391	102 703 490	24 126 257	2 032 327	2 190 317
Money market assets	22 148 137	11 083 855	10 599 232	-	465 050
Advances	444 605 401	442 919 290	1 190 995	254 212	240 904
Insurance assets	1 267 377	1 267 377	-	-	-
Other assets	9 781 940	8 334 801	431 200	245 965	769 974
Investment in equities	2 886 014	2 781 293	-	-	104 721
Investment properties	16 138 587	16 138 587	-	-	-
Property and equipment	56 931 378	56 931 378	-	-	-
Deferred taxation (restated)	1 149 573	1 149 573	-	-	-
Intangible assets	825 780	825 780	-	-	-
Total Assets	**686 786 578**	**644 135 424**	**36 347 684**	**2 532 504**	**3 770 966**
Liabilities and Equity					
Deposits	578 367 553	541 668 030	29 413 844	859 609	6 426 070
Insurance liabilities	2 255 317	2 255 317	-	-	-
Other liabilities	11 918 981	11 843 603	15 919	59 417	42
Current tax payable	3 575 561	3 575 561	-	-	-
Deferred taxation (restated)	3 836 714	3 836 714	-	-	-
Equity and reserves	86 832 452	86 832 452	-	-	-
Total equity and liabilities	**686 786 578**	**650 011 677**	**29 429 763**	**919 026**	**6 426 112**

Foreign Currency position as at 31 December 2011
Underlying currency (in US$)

	ZAR	GBP	Other Foreign Currencies
Assets			
Cash and short term assets	144 593 328	1 384 067	3 864 320
Advances	2 614 652	1 047 428	193 396
Other Assets	2 095 446	21 501	(588)
Investments	-	-	104 721
Total Assets	**149 303 426**	**2 452 996**	**4 161 849**
Liabilities			
Deposits	173 445 814	2 553 682	18 913 585
Other liabilities	32 853 755	1 150 099	4 543 251
Total liabilities	**206 299 569**	**3 703 781**	**23 456 836**
Net position	**(56 996 143)**	**(1 250 785)**	**(19 294 987)**

Foreign Currency position as at 31 December 2010

Underlying currency (in US$)

	ZAR	GBP	Other Foreign Currencies
Assets			
Cash and short term assets	159 565 306	1 315 082	2 190 317
Advances	7 876 950	164 496	240 904
Money market assets	70 100 739	-	-
Other Assets	3 460 091	160 010	774 409
Total Assets	**241 003 086**	**1 639 588**	**3 205 630**
Liabilities			
Deposits	194 340 009	556 237	6 425 934
Other liabilities	301 325	38 447	178
Total liabilities	**194 641 334**	**594 684**	**6 426 112**
Net position	**46 361 752**	**1 044 904**	**(3 220 482)**

25. CAPITAL MANAGEMENT

The primary objectives of the Group`s capital management are to ensure that the Group complies with external imposed capital requirements and the Group maintains strong credit ratings and healthy capital ratios in order to support its business and maximise shareholder value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of its activities. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividend payment to shareholders, retain capital or issue capital securities. No changes were made in the objectives, policies and processes from the previous years.

26. CONTINGENCIES AND COMMITMENTS

	31 Dec 2011 US$	31 Dec 2010 US$
Contingent liabilities		
Guarantees	8 518 322	18 668 136
Capital commitments		
Authorised and contracted for	2 910 570	84 749
Authorised and uncontracted for	-	-
	2 910 570	**84 749**

The capital commitments will be funded from the Group`s own resources and borrowings

27. FUNDS UNDER MANAGEMENT

	31 Dec 2011 US$	31 Dec 2010 US$
Pensions	71 091 528	60 957 115
Private	11 842 171	12 447 934
Unit trust	1 162 372	506 026
Money market	4 092 431	1 681 459
	88 188 502	**75 592 534**

28. OPERATING SEGMENTS

The Group is comprised of the following operating units

CBZ Bank Limited-	Provides commercial banking and mortgage finance products through retail banking, corporate and merchant banking and investing portfolios through the treasury function.
CBZ Asset Management-	Provides fund management services to a wide spectrum of investors through placement of either pooled portfolios or individual portfolios.
CBZ Insurance-	Provides short term insurance.
CBZ Properties-	Property investment arm of the business.
CBZ Life-	Provides long term insurance.

The following tables present revenue and profit information regarding the Group`s operating segments for the year ended 31 December 2011.

28.1 Segment Operational results

31 December 2011

	Commercial Banking US$	Mortgage Finance US$	Asset Management US$	Insurance US$	Property Investment US$	Other Operations (Inc Cons Journals) US$	Consolidated US$
Income							
Income from customers	105 784 065	14 422 983	1 134 962	3 347 125	1 394 916	2 597 858	128 681 909
Elimination of Inter segment revenue						**(5 590 803)**	**(5 590 803)**
Total Income							**123 091 106**
Depreciation and amortisation	2 333 328	1 177 465	64 327	131 297	-	299 564	**4 005 981**
Results							
Profit/(loss) before taxation	33 369 113	7 682 912	(238 536)	558 247	1 358 811	1 066 449	**43 796 996**
Elimination of inter segment profit						(5 590 803)	(5 590 803)
Profit before taxation							**38 206 193**
Other material non cash items							
Impairment of assets (incl loan provision)	13 721 785	729 579	-	(14 290)	-	-	14 437 074
Reportable segment liabilities	903 500 078	74 754 011	1 191 619	4 952 185	2 261 344	(50 211 083)	936 448 154

31 December 2010

	Commercial Banking US$	Mortgage Finance US$	Asset Management US$	Insurance US$	Property Investment US$	Other Operations (Inc Cons Journals) US$	Consolidated US$
Income							
Income from customers	72 215 894	8 798 422	1 078 914	1 147 248	2 805 861	(993 567)	**85 052 772**
Elimination of Inter segment revenue						(3 484 828)	**(3 484 828)**
Total Income							**81 567 944**
Depreciation and amortisation	1 483 838	903 636	57 813	144 720	-	152 916	**2 742 923**
Results							
Profit before taxation	29 547 938	(264 700)	(646 788)	(112 279)	2 434 499	(1 891 872)	**29 066 798**
Elimination of inter segment profit						(3 484 828)	(3 484 828)
Share of associate's loss						(38 648)	(38 648)
Profit before taxation							**25 543 322**
Other material non cash items							
Impairment of assets (incl loan provision)	1 591 109	43 816	-	(38 612)	-	-	1 596 313
Reportable segment liabilities	594 321 137	34 858 477	570 781	1 367 670	2 139 499	(33 303 438)	**599 954 126**

	31 Dec 2011 US$	31 Dec 2010 US$
28.2 Total segment assets		
Commercial Banking	981 767 058	649 703 774
Mortgage financing	108 746 772	59 671 293
Asset Management	2 097 576	1 651 999
Insurance	7 066 503	4 235 465
Property Investment	12 840 313	11 497 037
Total Segment Assets	**1 112 518 222**	**726 759 568**
Other operations (inc consolidation journals)	(56 820 726)	(39 972 990)
Total Segment Assets	**1 055 697 496**	**686 786 578**

29. EFFECT OF PRIOR YEAR ADJUSTMENTS ON FINANCIAL STATEMENTS

(i) The elimination of the deferred tax asset in the CBZ Life financial statements arose as a result of the application of Section 20 (Schedule 8) of the Income tax Act as opposed to the Section 7 previously applied to the financial statements.

(ii) The Bank applied retrospectively, the impact of deferred taxation erroneously calculated on provisions on advances. The impact on the financial statements is to reduce the deferred tax liability and also reduce the amount accrued in the Statement of Comprehensive income.

(iii) The aggregate impact of the stated adjustments on the financial statements is highlighted below.

EXTRACT OF STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2010

	As per 2010 Annual Report US$	Adjustment through CBZ Bank US$	Adjustment through CBZ Life US$	Restated 2010 balance US$
ASSETS				
Deferred taxation	1,243,422	-	(93,849)	1,149,573
TOTAL ASSETS	**686,880,427**	**-**	**(93,849)**	**686,786,578**
LIABILITIES				
Deferred taxation	5,090,875	(1,254,161)	-	3,836,714
TOTAL LIABILITIES	**601,208,287**	**(1,254,161)**	**-**	**599,954,126**
EQUITY AND RESERVES				
Revenue reserves	26,940,009	1,254,161	(93,849)	28,100,321
Equity and reserves attributable to equity holders of the parent	85,461,844	1,254,161	(93,849)	86,622,156
Non-controlling interests	210,296			210,296
TOTAL EQUITY AND RESERVES	**85,672,140**	**1,254,161**	**(93,849)**	**86,832,452**
TOTAL LIABILITIES, EQUITY AND RESERVES	**686,880,427**	**-**	**(93,849)**	**686,786,578**

EXTRACT OF STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2010

	As per 2010 Annual Report US$	Adjustment through CBZ Bank US$	Adjustment through CBZ Life US$	Restated 2010 balance US$
Profit before taxation	25,543,322	-	-	25,543,322
Taxation	(7,926,765)	1,254,161	(93,849)	(6,766,453)
Profit after taxation	**17,616,557**	**1,254,161**	**(93,849)**	**18,776,869**
Profit attributable to:				
Equity holders of parent	17,558,611	1,254,161	(93,849)	18,718,923
Non controlling interests	57,946	-	-	57,946
	17,616,557	**1,254,161**	**(93,849)**	**18,776,869**
Total comprehensive income for the year attributable to:				
Equity holders of parent	22,156,589	1,254,161	(93,849)	23,316,901
Non controlling interests	57,946	-	-	57,946
	22,214,535	**1,254,161**	**(93,849)**	**23,374,847**
Earnings per share (cents)				
Basic	2.81	0.20	(0.02)	2.99
Diluted	2.81	0.20	(0.02)	2.99

30. EXCHANGE RATES

	31 Dec 2011	31 Dec 2010
ZAR	8.17	6.62
GBP	1.54	1.55
EUR	1.29	1.33

31. RISK MANAGEMENT

31.1 Introduction

The Group subscribes to Risk Management principles and processes. The main focus being to identify, measure, monitor and control all risks inherent in the trading activities of the Group's operating units. The key objective is to safeguard the Group's reputation in the financial services market.

31.1.1 Risk management framework

The Board of directors has overall responsibility for the establishment and oversight of the Group's risk management framework.

The Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions, products and services offered. The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment, in which all employees understand their roles and obligations.

The Group Audit and Risk Management Committee is responsible for monitoring compliance with the Group's risk management policies and procedures, and for reviewing the adequacy of the risk management framework in relation to the risks faced by the Group. The Group Audit and Risk Management Committee is assisted in these functions by Internal Audit. Internal Audit undertakes both regular and ad-hoc reviews of risk management controls and procedures, the results of which are reported to the Group Audit and Risk Committee.

31.2 KEY RISKS REQUIRING SPECIAL MENTION

31.2.1 Credit Risk

This risk is defined as the inability or failure of counter-party to meet commitments with respect to lending, trading, hedging, settlement and other related financial obligations as and when they fall due.

Mitigation of this risk is achieved through strict adherence to the Group's credit policies and use of segregated credit generation, approval as well as monitoring and control processes. Minimum acceptable credit risk grade is derived through a compulsory grading matrix undertaken at point of facilities request.

The Group has systems generated credit risk reports used for monitoring and control of the credit function on a daily, monthly and quarterly basis against approved limits, internal benchmarks and industry standards. To cover its loans from unforeseen eventualities, the Group also takes security from its borrowing clients. The Group's Loans Review Committees stretching to Board level have complete oversight of this risk at subsidiary level.

The table below shows the maximum exposure to credit for the components of the statement of financial position.

	31 Dec 2011 US$	31 Dec 2010 US$
Cash and balances with Reserve Bank of Zimbabwe	84 085 994	68 578 923
Due from banks	610 683	600 000
Nostro balances	19 146 027	19 590 774
Financial assets held for trading	7 390 012	22 128 137
Loans and advances to customers	790 340 120	444 005 401
Other assets	18 351 279	9 781 941
Total	**919 924 115**	**564 685 176**
Contingent liabilities	8 518 322	18 668 136
Commitments	2 910 570	84 749
Total	**11 428 892**	**18 752 885**

Where financial instruments are recorded at fair value the amounts shown above represent the current credit risk exposure but not maximum risk exposure that could arise in the future as a result of changes in value. The Group held cash equivalents of US$102 615 277 (excluding notes and coins) as at 31 December 2011 which represents its maximum credit exposure on these assets. The cash and cash equivalents are held with the Central Bank, local and foreign banks.

The Group has issued financial guarantee contracts in respect of debtors for which the maximum amount payable by the Group, assuming all guarantees are called on, is $8.3 million.

Impaired loans and investment debt securities

Individually impaired loans and securities are loans and advances and investment debt securities (other than those carried at fair value through profit or loss) for which the Group determines that there is objective evidence of impairment and it does not expect to collect all principal and interest due according to the contractual terms of the loan / investment security agreement(s). Loans and advances and investment debt securities carried at fair value through profit or loss are not assessed for impairment but are subject to the same internal grading system.

Past due but not impaired loans and investment debt securities

Past due but not impaired loans and investment debt securities, other than those carried at fair value through profit or loss, are those for which contractual interest or principal payments are past due, but the Group believes that impairment is not appropriate on the basis of the level of security / collateral available and / or the stage of collection of amounts owed to the Group.

Allowances for impairment

The Group establishes an allowance for impairment on assets carried at amortised cost or classified as available for sale that represents its estimate of incurred losses in its loan and investment debt security portfolio. The main components of this allowance are a specific loss component that relates to individually significant exposures, and a collective loan loss allowance established for groups of homogeneous assets in respect of losses that have been incurred but have not been identified on loans that are considered individually insignificant as well as individually significant exposures that were subject to individual assessment for impairment but not found to be individually impaired.

Write-offs

The Group writes off a loan or an investment debt security balance, and any related allowances for impairment losses, when the relevant committees determine that the loan or security is uncollectible. This determination is made after considering information such as the occurrence of significant changes in the borrower's / issuer's financial position such that the borrower / issuer can no longer pay the obligation, or that proceeds from collateral will not be sufficient to pay back the entire exposure. For balance standardised loans, write-off decisions generally are based on a product-specific past due status.

Concetration of credit risk

The directors believe that the concetration risk is limited due to the customer base being large and unrelated. The Group is not exposed to any customer by more than 10% of the total advances book.

31.2.2 Market Related Risks

These risks arise from the negative changes in market variables of interest rates, foreign exchange rates, equity prices and commodity prices, which can cause substantial variations in income and economic value of the Group if not properly managed.

Liquidity Risk

This arises from a mismatch of assets and liabilities cash flows, which can result in refinancing risk if liabilities have a shorter maturity profile than assets.

The Group has managed this risk through strict conformity to Asset and Liability management processes and requirements, which are driven by the relevant Management and Board Committees. The Group's liquidity profile is displayed under note 24.

Interest Rate Risk

This is the risk that a change in the interest rates will have a negative effect on the Group's future cash flows or earnings where the repricing terms as well as the maturity structure of the funding liabilities and related assets are not properly matched.

This is adequately managed through Asset and Liability management processes.

Foreign Exchange Risk

This risk arises from the changes in exchange rates and originates from mismatches between the values of assets and liabilities denominated in different currencies and can lead to losses if there is an adverse movement in exchange rate where open positions either spot or forward, are taken for both on and off - statement of financial position transactions.

The Group manages this risk by ensuring strict control of any exposure to exchange risk by its Treasury function through adherence to Asset and Liability management requirements and benchmarks.

31.2.3 Operational Risk

This risk arises from human error or fraud, inadequate or failed internal processes, systems, non-adherence to procedures or other external sources that result in the compromising of the Group's income or erosion of the Group's statement of financial position value.

Operational risk is adequately monitored by the Internal Audit and Risk management functions of the Group with appropriate oversight and intervention from the Board.

31.2.4 Strategic Risk

This is the risk that arises where the Group's strategy may be inappropriate to support its long term corporate goals due to underlying inadequate strategic planning process, weak decision making process as well as weak strategic implementation programs.

To mitigate this risk, Group Management teams craft the strategy with guidance from the Board, that is underpinned to Group corporate goals. Approval of the strategy is the responsibility of the Board whilst implementation is carried out by Management. Strategy and goal congruency is reviewed monthly by Management and quarterly by the Board.

31.2.5 Regulatory risk

Regulatory risk which is defined as the failure to comply with applicable laws and regulations or supervisory requirements, or the exclusion of provisions of relevant regulatory requirements out of operational procedures, is managed and mitigated through:

- Comprehensive and consistent compliance policies and procedures that exist throughout the Group;
- A proactive and complete summary statement of the Group's position on ethics and compliance;
- A reporting structure of the Compliance Function that ensures independence and effectiveness, and
- Periodic compliance and awareness training targeting employees in compliance sensitive areas.

31.2.6 Reputation risk

This is the risk that arises from the market perception of the manner in which the Group packages and delivers its products and services, how staff and management conduct themselves and how it relates to the code of ethics.

This risk is managed and mitigated through:

- Upgrading operating facilities to ensure that they remain within the taste of the Group's diversified clientele base.
- Ensuring that staff members subscribe to the Group's code of conduct and general business ethics on and after joining the Group.
- Stakeholders' feedback systems that ensures a proactive attention to the Group's reputation management.

31.2.7 Money-laundering risk

This is the risk of financial or reputational loss or liability suffered as a result of transactions in which criminal financiers disguise the origin of funds they deposit in the subsidiaries of the Group and then use the funds to support illegal activities.

This risk is managed and controlled through:

- Know Your Customer Procedures;
- Knowledge management to facilitate learning and leveraging successes and failures;
- Effective use of compliance enabling technology to enhance anti–money laundering program management, communication, monitoring, and reporting;
- Development of early warning systems; and
- Integration of compliance into individual performance measurement and reward structures.

31.2.8 Settlement risk

The Group's activities may give rise to risk at the time of settlement of transactions and trades. Settlement risk is the risk of loss due to the failure of a company or third party to honour its obligations to deliver cash, securities or other assets as contractually agreed.

For certain types of transactions the Group mitigates this risk by conducting settlements through a settlement/clearing agent to ensure that a trade is settled only when both parties have fulfilled their contractual settlement obligations. Settlement limits form part of the credit approval/limit monitoring process. Acceptance of settlement risk on free settlement trades requires transaction specific or counterparty specific approvals from the Group's Risk Management Unit.

31.2.9 Capital Risk

Capital risk refers to the risk of the Group's own capital resources being adversely affected by unfavorable external developments.
The Group's capital resources should therefore be adequate to absorb losses such as operating losses, and capital losses on investments. So long as net losses can be fully offset against capital invested by the Group's owners, the legal claims of depositors or other creditors are not compromised, and the Group can continue to function without interrupting its operations.

The Group's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The impact of the level of capital on shareholders' return is also recognised and the Group recognises the need to maintain a balance between the higher returns that might be possible with greater gearing and the advantages and security afforded by a sound capital position.

31.2.10 Insurance Risk

The principal risk the insurance company faces under insurance contracts is that the actual claims and benefit payments or the timing thereof, differ from expectations. This is influenced by the frequency of claims, severity of claims, actual benefits paid and subsequent development of long-term claims. Therefore the objective of the insurance subsidiary is to ensure that sufficient reserves are available to cover these liabilities.

The above risk exposure is mitigated by diversification across a large portfolio of insurance contracts and geographical areas. The variability of risks is also improved by careful selection and implementation of underwriting strategy guidelines, as well as the use of reinsurance arrangements.

The subsidiary also purchases reinsurance as part of its risk mitigation programme. Reinsurance ceded is placed on both a proportional and non-proportional basis. The majority of proportional reinsurance is quota-share reinsurance which is taken out to reduce the overall exposure of the company to certain classes of business. Non-proportional reinsurance is primarily excess-of-loss reinsurance designed to mitigate the company's net exposure to catastrophe losses. Retention limits for the excess-of-loss reinsurance vary by product line and territory.

The insurance company's placement of reinsurance is diversified such that it is neither dependent on a single reinsurer nor are the operations of the Company substantially dependent upon any single reinsurance contract.

31.2.11 Risk and Credit Ratings

31.2.11.1 External Credit Rating

CBZ Bank Limited

Rating agent	2011	2010	2009	2008	2007	2006	2005
Global Credit Rating (Short Term)	-	-	-	-	-	-	-
Global Credit Rating (Long Term)	A+	A	A	A	A	A	A

31.2.11.2 Reserve Bank of Zimbabwe Ratings

CAMELS RATING MATRIX

	Composite	Capital Adequacy	Asset Quality	Management	Earnings	Liquidity	Sensitivity to market risk
CBZ Bank	1	1	2	1	1	2	2
CBZ Holdings Group	2	2	2	-	2	2	2

Key
1. Strong
2. Satisfactory
3. Fair
4. Substandard
5. Weak

Directorate

CBZ Group Risk matrix summary

Type of Risk	Level of Inherent Risk	Adequacy of Risk Management Systems	Overall Composite Risk	Direction of Overall Composite Risk
Credit Risk	Moderate	Acceptable	Moderate	[illegible]
Liquidity Risk	Moderate	Acceptable	Moderate	Stable
Interest Rate Risk	Moderate	Acceptable	Moderate	Stable
Foreign Exchange Risk	Moderate	Acceptable	Moderate	[illegible]
Strategic Risk	Moderate	Acceptable	Moderate	[illegible]
Operational Risk	[illegible]	[illegible]	[illegible]	[illegible]
Legal & Compliance Risk	Moderate	Acceptable	Moderate	Stable
Reputation Risk	[illegible]	Acceptable	[illegible]	Stable
Overall	Moderate	Acceptable	Moderate	[illegible]

CBZ Bank Risk matrix summary

Type of Risk	Level of Inherent Risk	Adequacy of Risk Management Systems	Overall Composite Risk	Direction of Overall Composite Risk
Credit Risk	Moderate	Acceptable	Moderate	[illegible]
Liquidity Risk	[illegible]	Acceptable	[illegible]	Stable
Interest Rate Risk	[illegible]	Acceptable	[illegible]	Stable
Foreign Exchange Risk	Moderate	Acceptable	Moderate	[illegible]
Strategic Risk	Moderate	Acceptable	Moderate	[illegible]
Operational Risk	Moderate	Acceptable	Moderate	Stable
Legal & Compliance Risk	Moderate	Acceptable	Moderate	Stable
Reputation Risk	[illegible]	[illegible]	[illegible]	Stable
Overall	Moderate	Acceptable	Moderate	Stable

CBZ Asset Management Risk matrix summary

Type of 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	[illegible]
Operational Risk	Moderate	[illegible]	Moderate	[illegible]
Legal & compliance Risk	Moderate	[illegible]	Moderate	Stable
Reputation Risk	[illegible]	Acceptable	[illegible]	Stable
Financial Risk	Moderate	Acceptable	Moderate	Stable
Overall	Moderate	Acceptable	Moderate	Stable

Key

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 banking 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 down policies and procedures.

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

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

Overall Composite Risk

Low Risk- 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- risk management effectively identifies and controls all types of risk posed by the relevant functional 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 organisation.

High Risk- 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 AMC's overall condition, even in some cases where the systems are considered strong.

Direction of Overall Composite

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

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

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

The CBZ Holdings Limited Board was constituted during the year and is now separate from the Board of the Bank.

Board committees
All subsidiaries have the requisite board committees as per the requirements of the Regulatory Authorities.

Board evaluation
Board members of all the Subsidiaries evaluate their individual and overall board performance formally on an annual basis. The directors understand the extent of their personal liability for the affairs of the companies on whose boards they sit.

Board meetings
Board meetings were conducted in an atmosphere that encouraged open communication, meaningful participation, and timely resolution of issues. Sufficient time was provided during Board meetings for thoughtful discussion.

Board meetings of all the subsidiaries were well attended. This enabled Directors to both collectively and individually become and remain effective enhancers of Corporate Governance Performance.

32. CORPORATE GOVERNANCE STATEMENT
The quality of corporate governance practices is becoming an increasingly important factor in maintaining market confidence. The CBZ Group is committed to and supports the principles contained in the Reserve Bank of Zimbabwe (RBZ) Corporate Governance Guideline No. 01-2004/BSD, as well as the King 1 Code of Governance principles (King 111) which is an internationally regarded benchmark in Corporate Governance.

32.1 DISCLOSURE POLICY
The Board is aware of the importance of balanced and understandable communication of the Group's activities to stakeholders and strives to clearly present any matters material to a proper appreciation of the Group's position. The interests and concerns of stakeholders are addressed by communicating information in a timely manner.

The Directors foster a mutual understanding of objectives shared between the Group and its institutional shareholders by meeting with and making presentations to them on a regular basis. The Board welcomes and encourages the attendance of private shareholders at general meetings and gives them the opportunity to have questions addressed.

The Group endeavours to ensure, through its regular public dissemination of quantitative and qualitative information that analysts' estimates are in line with the Group's own expectations. The Group does not confirm, or attempt to influence, an analyst's opinions or conclusions and does not express comfort with analysts' models and earnings estimates.

32.2 CODE OF CONDUCT
The Group is committed to the highest ethical standards of business conduct and to fully complying with all applicable laws and regulations.

The Directors and employees of the Group are all expected to comply with the principles and to act in terms of the code of conduct. There was close monitoring of both Directors and employees in this regard and cases of non-compliance received appropriate disciplinary action which was enforced with consistency.

32.3 FINANCIAL CONTROL AND REPORTING
The Directors are responsible for ensuring that the Group maintains adequate records, and for reporting on the financial position of the Group and the results of the activities with accuracy and reliability. Financial reporting procedures are consistently applied within the Group and all financial and related information is constantly reviewed and remedial action taken, where necessary.

32.4 INTERNAL OVERSIGHT FUNCTIONS
The Board has overall responsibility for ensuring that the Group maintains a system of internal financial control to provide it with reasonable assurance regarding the reliability of the financial information used within the business and for publication, and to ensure that assets are safeguarded.

Internal Oversight Functions in the Group are integrated as follows:
- The Risk Division conducts the overall risk assessment within the Business Units and provides the resulting data in the form of risk matrices to Internal Audit and to the Compliance function to use as a starting point for their analysis.
- Internal audit concentrates more on the financial risks highlighted on the risk matrices and, on testing processes.
- Compliance assesses the significant regulatory risks highlighted by risk matrices, reviews and documents factors which aggravate the risk such as business volumes, considers the control environment, sets with Business Units the policy on managing that risk and, finally, monitors the risk that in fact ensues.
- The Legal function focuses on the legal risks highlighted by the risk matrices.

Internal oversight functions offer independent objective assurance and consulting function designed to add value to and improve the Group's operations. They help the Group accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and compliance processes.

FRAUD AND ILLEGAL ACTS
The Group does not engage in or accept or condone any illegal acts in the conduct of its business. The Directors' policy is to actively pursue and prosecute the perpetrators of fraudulent or other illegal activities, should they become aware of any such acts.

THE ROLE OF THE BOARD OF DIRECTORS
The Board actively embraces its responsibilities and brings its collective skills and experiences to bear in providing independent, objective and thoughtful oversight and guidance to the Group.

The Group has an active and engaged Board, which shapes and executes successful strategies. The Board contributes to organisational performance through fulfilling the following five major responsibilities;

- The Board approves the strategic direction of the Group. Such approval sets the organization in motion. Consequently, Directors are knowledgeable about the business (the central business issues and non-financial factors that drive the business) so that they can be able to identify winning strategies from risky or problematic ones. The Group has put in place systems and procedures to ensure that, Directors are aware of the key issues and drivers of the business.
- The Board ensures that resources are used most effectively and efficiently to achieve the strategy hence it oversees the financial actions of the Group. It sets fiscal policy and approves large capital expenditures. The Group has systems and structures in place to ensure that, once a strategic expenditure is approved, Directors obtain sufficient feedback on whether the expenditure generated the desired benefits.
- The Board counsels and advises the Group Chief Executive Officer (GCEO). Board members are elected on the basis of their industry knowledge, functional acumen or strategic relationships they contribute to the Group.
- The Board approves the hiring of senior executives, assess their performance and reward them appropriately. The Directors are also actively involved in succession planning.
- The Board is a watchdog for uncompensated risk and a guardian for compliance. Directors receive sufficient information to effectively address key compliance issues and business risks that can prevent the Group from achieving its strategic targets.

THE ROLE OF THE BOARD IN RISK MANAGEMENT
The Board has a number of oversight responsibilities with respect to risk management. To ensure that this role is executed efficiently and effectively the Board:

- has a general understanding of the types of risks to which the Group may be exposed and of the techniques used to measure and manage those risks;
- reviews and approves the overall risk philosophy and risk tolerance of the Group. Systems and procedures are in place to ensure that the Board is aware of material changes to the Group's business strategies or risk tolerance levels and the limits within which individuals are authorized to act;
- reviews and approves significant policies or changes in policies for accepting, monitoring, managing and reporting on the significant risks to which the Group is exposed;
- monitors and ensures that Management has a suitable and acceptable process for determining the Group's desired level of capital, taking into account risks assumed, and ensuring that capital management strategies are in place;
- requires from Management timely and accurate reporting on significant risks faced by the institution, the procedures and controls in place to manage these risks, and the overall effectiveness of risk management processes. Systems and procedures are in place to ensure that the Board is aware of, and is satisfied with, the manner in which material exceptions to policies and controls within the Group are identified and monitored, the nature of reporting to the Board, and the consequences within the Group, when exceptions are identified;
- assures itself that the risk management activities of the Group, have sufficient independence, status and visibility and are subject to periodic reviews; and
- Includes in its reviews of changes in strategies or new business initiatives, a review of requisite/related changes in risk management and controls.

THE ROLE OF THE BOARD IN REGARD TO INTERNAL CONTROL MECHANISMS
Development and implementation of an adequate and sound system of internal controls is normally the responsibility of Senior Management. The Board of Directors, however, is ultimately responsible for ensuring that such a system is established and maintained. As part of this responsibility, the Board regularly, reviews the system of internal controls to determine that it works as expected and that it remains appropriate.

Useful inputs into these reviews include:
- management reports on the operations and financial condition of the Group, the performance of risk management and other control systems during the period under review, and any significant non-compliance with controls, the Group's code of conduct, or with laws and regulations;
- internal and external audit opinions on the adequacy of controls for the Group as a whole and for individual business entities, and recommendations for improvements; liabilities, on the current and prospective position of the Group, and on matters that might have a material adverse impact on its financial condition;
- the audit report on the audited financial statements and all other reports of the external auditor, including the auditor's management letter; or the report to the Audit and Risk Management Committee.
- views, solicited by the Board, of the Group's external and internal auditors and legal counsel; and
- The views and observations of the regulators on the Group.

THE ROLE OF THE BOARD IN REGARD TO INDEPENDENT OVERSIGHT FUNCTIONS
To assure itself that these functions are in a position to support it, the Board:

- actively exercises its responsibility for recommending to shareholders a suitable nominee for appointment as external auditor;
- takes an active interest in the selection of heads of internal oversight functions;
- reviews the mandates and Group structures of the internal control functions, and approve any major changes thereto, and regularly reviews the scope of the proposed activities of these internal functions and of the external auditors;
- requires that those who are responsible for fulfilling these functions are independent from the operations under review and free of influences that may affect their ability to perform their responsibilities objectively;
- requires that the internal oversight providers and the external auditor have unrestricted access to the Board;
- satisfies itself that those who are responsible for fulfilling these functions have the resources and authority required to perform their duties appropriately and receive support from Senior Management;
- satisfies itself that the remuneration provided to key individuals in these functions adequately reflects the importance of the function and that the incentives contained in these remuneration packages for the function are not inconsistent with its role and responsibilities;
- discusses key findings of the reports produced by these functions, understands how material disagreements are dealt with, and follow-up on any concerns raised by these functions; and
- regularly reviews the nature of the function being carried out as well as the effectiveness and independence of those fulfilling these functions.

Appropriate Board Committees are in place to oversee these independent oversight functions.

BOARD STRUCTURE

The Board has a balanced mix of Executive, Non-Executive and Independent Non-Executive Directors. The roles of Chairperson of the Board and Chief Executive Officer are separated and held by different persons.

The Board has established and appointed committees with defined terms of reference, composition and reporting requirements. The committees have been established and appointed in light of:

- The need to increase the effectiveness of the Board by utilising the specialised skills of Board members.
- Need to provide support and guidance to Management.
- Need to ensure effective and independent professional consideration of issues.

The Board established and appointed all Board Committees as required by the Banking Act [Chapter 24:20] and the Corporate Governance Guideline No. 01- 2004/BSD. The terms of reference of each committee are defined.

The Board of Directors of the various units as at 31 December 2011 was constituted as tabulated below:-

CBZ HOLDINGS	CBZ Bank Limited	CBZ Life Limited	CBZ Asset Management	CBZ Insurance
Mr L Zembe	Mr RV Wilde	Mr R Dawes	Mr C Jones	Mr AM Mutsonziwa
Mr N Makuvise	Mr SGR Harnden	Mr FB Zizhou	Mr T Muzadzi	Mr J Whacha
Dr JP Mangudya	Mr N Makuvise	Dr V Masunda	Mr IH Harris	Mr N Makuvise
Mr T Bere	Dr JP Mangudya	Mr C Gambinga	Mr N Makuvise	Mr P Mundangepfupfu
Mr FM Dernawi	Mr P Zimunya	Mr N Makuvise	Mr B Naik	Mr W Muchenje
Mr MH Nanabawa	Mr N Nyemudzo	Mr N Mureriwa	Mr R Zirobwa	Mr S Choga
Mr A Lowe	Dr RM Chimedza	Mrs VM Chasi	Mr A Kassim	Mrs V Mudimu
Mr MIO Ben Ghali	Mrs R Pasi		Mr J Smith	Mr A Jakara
Mr D Mutambara	Mr E Mugamu			
Mrs R Nhamo	Mr FB Chirimuuta			
Mr JG Osterberg	Mr C Chimutsa			
Mr G Taputaira	Mr PS Whata			
Mr T Mukupe	Mrs PS Madzonga			
Mrs VM Chasi	Ms R Jakanani			

APPOINTMENT, SELECTION, INDUCTION, TRAINING DEVELOPMENT AND SUCCESSION OF DIRECTORS
The Board is involved in the selection of appointed Directors. This selection process considers any deficiencies in the skills of current Board members. The composition of the Board fairly represents the diversity of skills.

The Board actively encourages good candidates to stand for Board appointments. New Board members are introduced to their duties with an appropriate induction process. Each Board member is supplied with a Board manual and a copy of standing orders and regulations governing the conduct of Board meetings. Every Board member is also supplied with a calendar of meetings showing dates of Board Committee meetings and critical events of the Group. The Directors are also provided with all relevant legislation and regulations. The Group Legal Corporate Secretary manages the induction and training programme.

Board members understand the extent of their relationship with Management and the separation of stewardship and management.

Where the ethical or professional conduct of any Director is called into question, such a Director is suspended pending investigations. Board members bind themselves to uphold honour and respect the Code of Ethics of the Group on first appointment and to resign where their actions are called into question

A succession plan is in place for the Board Chairperson and the Group Chief Executive Officer.

Board Meetings
Board meetings are conducted in a manner that encourages open communication, meaningful participation, and timely resolution of issues. Sufficient time is provided during Board meetings for thoughtful discussion. Board meetings are facilitated, but not overly influenced by the Chairperson.

Board meetings provide Directors with opportunities to share their knowledge, discuss strategic tradeoffs and lend decision support. To benefit the Group Chief Executive Officer, Directors are provided with financial and non-financial information that shows current and anticipated performance. Board meetings provide a forum to use this information to ask key questions, discuss central business issues and offer performance advice.

Board meetings were well attended. This enabled Directors to both collectively and individually become and remain effective enhancers of corporate governance performance.

The detailed attendance of members of the Board at Board meetings is disclosed in the table below;

CBZ HOLDINGS LIMITED BOARD COMMITTEE AND BOARD ATTENDANCE REGISTER 2011

	AUDIT & RISK MANAGEMENT	CORPORATE GOVERNANCE AND NOMINATIONS	HUMAN RESOURCES	INVESTMENT	MAIN
Bere, T	4	5	3	N/A	4
Dernarwi, F M	N/A	2	N/A	1	3
Ben Ghali M I O	2	N/A	N/A	1	4
Nanabawa M H	4	N/A	N/A	3	4
Lowe, A	2	3	N/A	N/A	2
Mutambara, D	4	4	N/A	N/A	3
Nhamo, R	N/A	4	4	N/A	4
Mukupe T	1	N/A	4	2	4
Osterberg, J G	4	N/A	N/A	3	4
Taputaira, G	3	N/A	N/A	3	4
Zembe, L	N/A	N/A	4	N/A	4
*Mangudya J P	4	4	3	3	3
*Makuvise N	1	1	1	1	3

*Executive Directors
Audit Committee held 4 meetings
Corporate Governance and Nominations held 5 meetings
Human Resources held 4 meetings
Investments held 3 meetings
Main Board held 4 meetings
N/A – Not a member

CBZ BANK LIMITED BOARD COMMITTEE AND BOARD ATTENDANCE REGISTER

	AUDIT	LENDING	LOANS REVIEW	REMUNERATION & TERMINATION BENEFITS	CORPORATE GOVERNANCE	RISK	MAIN
R V Wilde	N/A	4	N/A	4	N/A	N/A	4
S G R Harnden	N/A	N/A	4	4	4	4	4
N J Makuvise	N/A	N/A	N/A	N/A	N/A	N/A	1
R Mabeza-Chimedza (Dr)	4	4	N/A	4	4	N/A	4
E Mugamu	4	N/A	4	N/A	N/A	4	4
R Pasi	4	4	N/A	N/A	4	4	4
F Chirimuuta	4	N/A	4	N/A	4	N/A	3
P S Madzonga	N/A	N/A	N/A	N/A	N/A	4	4
P S Whata	4	N/A	N/A	N/A	N/A	N/A	4
*J P Mangudya (Dr)	4	4	4	4	4	4	4
*P Zimunya	N/A	4	4	4	N/A	4	4
*N Nyemudzo	4	N/A	N/A	N/A	N/A	N/A	4
*C Chimutsa	N/A	4	4	N/A	4	N/A	4

* - Executive Directors
N/A – Not committee member

Main Board: held 4 meetings
Board Committees: each held 4 meetings

CBZ ASSET MANAGEMENT COMMITTEE & BOARD ATTENDANCE REGISTER (January to March 2011)

	AUDIT	CORPORATE GOVERNANCE	REMUNERATION & NOMINATIONS	INVESTMENT	RISK	MAIN BOARD
Meetings held	2	2	2	2	1	2
I Harris	2	N/A	N/A	2	N/A	2
A Kassim	2	2	N/A	N/A	1	2
N Makuvise	N/A	2	2	N/A	1	2
B Naik	N/A	2	2	N/A	N/A	2
R Zirobwa	N/A	2	2	N/A	N/A	2
C Jones	2	N/A	N/A	2	N/A	2
J Smith*	2	2	2	2	1	2
T Muzadzi*	N/A	N/A	N/A	2	2	2

During the second quarter of 2011 the Board was granted approval by the Reserve Bank of Zimbabwe to reconstitute its Committees which resulted in the number of Committees being reduced from five to three without affecting the Board's oversight. The three Committees formed by the Board were:

i Audit and Compliance
ii Risk Committee
iii Remuneration and Governance Committee

CBZ ASSET MANAGEMENT COMMITTEE & BOARD ATTENDANCE REGISTER (April to December 2011)

	AUDIT & COMPLIANCE	RISK	REMUNERATION & GOVERNANCE	MAIN BOARD
Meetings held	2	2	2	2
I Harris	2	2	N/A	2
A Kassim	2	N/A	N/A	2
N Makuvise	N/A	N/A	2	2
B Naik	N/A	2	2	2
R Zirobwa	N/A	N/A	2	2
C Jones	2	2	N/A	2
J Smith*	2	2	2	2
T Muzadzi*	N/A	2	N/A	2

N/A – Not a member
*- Executive director

STATEMENT OF COMPLIANCE
Based on the information set out in this corporate governance statement, the Board believes that throughout the accounting period under review, the Group complied with the requisite regulatory requirements.

As at 31 December 2011 the Group was not involved in any material litigation, dispute or arbitration proceedings which may have had a significant effect on its financial position.

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2011

	Note	31 Dec 2011 US$	31 Dec 2010 US$ (Restated)
Interest income	2	104 748 645	65 044 195
Interest expense	2	(34 117 985)	(21 454 485)
Net interest income		**70 630 660**	**43 589 710**
Non-interest income	3	35 153 405	28 626 184
Total income		**105 784 065**	**72 215 894**
Operating expenditure	4	(58 693 167)	(41 076 847)
Operating income		**47 090 898**	**31 139 047**
Charge for impairment	8.4	(13 721 785)	(1 591 109)
Profit before taxation		**33 369 113**	**29 547 938**
Taxation	5	(8 670 748)	(7 346 579)
Profit for the year		**24 698 365**	**22 201 359**
Other comprehensive income			
Gains on property revaluations		1 550 320	2 635 171
Fair value adjustment on available-for-sale (AFS) financial instruments		(234 166)	(635 037)
Income tax relating to components of other comprehensive income	19	(384 338)	(600 044)
Other comprehensive income for the year net of tax		931 816	1 400 090
Total comprehensive income for the year		**25 630 181**	**23 601 449**
Profit attributable to:			
Equity holders of parent		**24 698 365**	**22 201 359**
Total comprehensive income attributed to :			
Equity holders of parent		**25 630 181**	**23 601 449**
Earnings per share (cents)			
Basic		4.8256	4.3377
Diluted		4.8256	4.3377

STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2011

	Note	31 Dec 2011 US$	31 Dec 2010 US$ (Restated)
ASSETS			
Balances with banks and cash	6	140 060 364	129 645 821
Money market assets	7	5 050 000	22 127 634
Advances	8	729 508 116	425 162 412
Other assets	9	58 971 404	37 208 689
Investments	10	263 376	497 542
Property and equipment	11	40 677 195	32 834 176
Investment properties	12	2 288 000	2 227 500
Intangible asset	13	1 560 091	-
Deferred taxation	14	3 388 512	-
TOTAL ASSETS		**981 767 058**	**649 703 774**
LIABILITIES			
Deposits	15	762 241 255	578 007 086
Bond	16	46 883 080	-
Other liabilities	17	89 549 418	10 815 257
Current tax payable		4 826 325	3 217 670
Deferred taxation	14	-	1 026 962
TOTAL LIABILITIES		**903 500 078**	**593 066 975**
EQUITY AND RESERVES			
Share capital	18	5 118 180	5 118 180
Share premium	18.2	11 198 956	11 198 956
Non-distributable reserve	18.1	5 522 755	5 522 755
Revaluation reserve	18.4	6 267 162	5 102 562
Available-for-sale reserve	18.5	(636 498)	(403 714)
Revenue reserves	18.3	50 796 425	30 098 060
TOTAL EQUITY AND RESERVES		**78 266 980**	**56 636 799**
TOTAL LIABILITIES, EQUITY AND RESERVES		**981 767 058**	**649 703 774**

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2011

	Share capital US$	Share premium US$	Non-distributable reserve US$	Revaluation reserve US$	Available-for -sale US$	Revenue reserve US$	Total US$
2010							
Balance at the beginning of the year	-	-	21 839 891	3 077 659	221 099	7 896 701	33 035 350
Share capital redenomination	5 118 180	11 198 956	(16 317 136)	-	-	-	-
Total comprehensive income (restated)	-	-	-	2 024 903	(624 813)	22 201 359	23 601 449
Balance at the end of the year (restated)	**5 118 180**	**11 198 956**	**5 522 755**	**5 102 562**	**(403 714)**	**30 098 060**	**56 636 799**
2011							
Balance at the beginning of the year (restated)	**5 118 180**	**11 198 956**	**5 522 755**	**5 102 562**	**(403 714)**	**30 098 060**	**56 636 799**
Dividends	-	-	-	-	-	(4 000 000)	(4 000 000)
Total comprehensive income	-	-	-	1 164 600	(232 784)	24 698 365	25 630 181
Balance at the end of the year	**5 118 180**	**11 198 956**	**5 522 755**	**6 267 162**	**(636 498)**	**50 796 425**	**78 266 980**

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2011

	31 Dec 2011 US$	31 Dec 2010 US$
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	**33 369 113**	**29 547 938**
Non cash items:		
•Depreciation	2 333 328	1 483 838
•Fair value adjustment	(60 500)	(557 500)
•Impairment on advances	13 721 785	1 591 109
•Loss on sale of property and equipment	24 762	289 691
•Unrealised gain on foreign currency positions	(2 869 769)	(2 651 715)
Operating profit before changes in operating assets and liabilities	**46 518 719**	**29 703 361**
Changes in operating assets and liabilities		
Deposits	187 103 938	222 999 115
Bond	46 883 080	-
Advances	(318 067 489)	(185 054 080)
Money market assets	17 077 634	(19 753 343)
Other assets	(21 762 715)	(36 572 371)
Other liabilities	78 734 161	1 002 846
	(10 031 391)	**(17 377 833)**
Corporate tax paid	(11 861 905)	(8 378 149)
Net cash inflow from operating activities	**24 625 423**	**3 947 379**
CASH FLOWS FROM INVESTING ACTIVITIES		
Net change in investments	-	(395 999)
Proceeds on disposal of property and equipment	406 682	284 875
Purchase of property and equipment	(9 057 471)	(5 156 233)
Purchase of intangible assets	(1 560 091)	-
Net cash outflow from investing activities	**(10 210 880)**	**(5 267 357)**
CASH FLOWS FROM FINANCING ACTIVITIES		
Dividends paid	(4 000 000)	-
Net cash outflow to financing activities	**(4 000 000)**	**-**
Net increase/(decrease) in balances with banks and cash	**10 414 543**	**(1 319 978)**
Balances with banks and cash at beginning of year	129 645 821	130 965 799
Balances with banks and cash at end of year	**140 060 364**	**129 645 821**

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2011

1. INCORPORATION ACTIVITIES

The Bank is incorporated in Zimbabwe and registered in terms of the Companies Act (Chapter 24:03) and the Banking Act (Chapter 24:20). It offers retail banking, commercial banking, investment banking, small to medium enterprise financing, treasury man¬agement, wealth management, agribusiness and custodial services.

	31 Dec 2011 US$	31 Dec 2010 US$
2. INTEREST		
Interest income		
Overdrafts	72 108 272	39 724 008
Loans	28 086 289	19 866 699
Staff loans	2 480 342	1 332 767
	102 674 903	60 923 474
Short-term money market assets	801 705	1 304 489
Other investments	1 272 037	2 816 232
	104 748 645	**65 044 195**
Interest expense		
Savings deposits	6 674 895	5 608 779
Call deposits	172 536	-
Money market deposits	17 089 446	10 942 499
Other offshore deposits	7 838 168	4 903 207
Bond	2 342 940	-
	34 117 985	**21 454 485**
3. NON-INTEREST INCOME		
Fair value adjustments on investment property	60 500	557 500
Net income from foreign currency dealings	6 032 224	1 752 452
Commission and fee income	12 234 657	12 962 838
Loss on sale of property and equipment	(24 762)	(289 691)
Other operating income	16 850 786	13 643 085
	35 153 405	**28 626 184**
4. OPERATING EXPENDITURE		
Staff costs	33 576 507	20 518 209
Administration expenses	22 641 943	18 981 083
Audit fees	141 389	93 717
Depreciation	2 333 328	1 483 838
	58 693 167	**41 076 847**
Remuneration of directors and key management personnel (included in staff costs)		
Fees for services as directors	313 308	161 050
Pension for past and present directors	72 245	54 247
Salaries and other benefits	2 175 604	1 517 589
	2 561 157	**1 732 886**
The following is an analysis of expenses related to operating leases		
Non cancellable leases are paid as follows :		
Less than 1 year	55 327	141 589
Between 1 and 5 years	977 559	947 579
	1 032 886	**1 089 168**

	31 Dec 2011 US$	31 Dec 2010 US$ restated
5. TAXATION		
Current income tax and deferred tax on temporary differences have been fully provided for. Deferred income tax is calculated using the statement of financial position liability method.		
Analysis of tax charge in respect of the profit for the year		
Current income tax charge	13 470 560	8 687 401
Deferred income tax	(4 799 812)	(1 340 822)
Income tax expense	**8 670 748**	**7 346 579**
Tax rate reconciliation		
	%	%
Notional tax	25	25
Aids levy	0.75	0.75
Permanent differences	0.23	(0.89)
Effective tax rate	**25.98**	**24.86**

Prior year deferred income tax was restated. (Refer to note 23)

	31 Dec 2011 US$	31 Dec 2010 US$
6. BALANCES WITH BANKS AND CASH		
Balance with the Reserve Bank of Zimbabwe	**83 882 443**	**60 423 294**
Statutory reserve	9 238 996	9 361 095
Current accounts	74 643 447	51 062 199
Balances with other banks and cash	**56 177 921**	**69 222 527**
Cash	37 445 087	50 648 827
Nostro accounts	18 720 501	18 571 740
Interbank clearing accounts	12 333	1 960
	140 060 364	**129 645 821**

Balances with Reserve Bank of Zimbabwe are deemed to be available within 3 months of call and as such, these have been classified as balances with banks and cash. In addition, the Reserve Bank of Zimbabwe (RBZ) has committed to issue discountable and tradable bills against such balances.

	31 Dec 2011 US$	31 Dec 2010 US$
7. MONEY MARKET ASSETS		
Call placements	5 000 000	22 060 830
Accrued interest	50 000	66 804
	5 050 000	**22 127 634**
Money market assets analysis		
Held for trading portfolio	**5 050 000**	**22 127 634**
Maturity analysis		
Demand	-	-
Between 1 and 3 months	5 050 000	22 127 634
Between 3 months and 1 year	-	-
Between 1 and 5 years	-	-
	5 050 000	**22 127 634**
7.1 Financial assets held for trading		
Placements	**5 050 000**	**22 127 634**
Maturity value	5 052 033	22 669 613
Book value	5 050 000	22 127 634
Financial assets at fair value through profit and loss		
Financial assets held for trading	**5 050 000**	**22 127 634**
8. ADVANCES		
Overdrafts	426 496 608	288 675 144
Loans	285 159 285	111 735 294
Mortgage advances	32 309 558	22 797 018
	743 965 451	423 207 456
Interest accrued	6 183 574	6 829 455
Total gross advances	**750 149 025**	**430 036 911**
Impairment	(20 640 909)	(4 874 499)
	729 508 116	**425 162 412**
8.1 Maturity analysis		
Demand	428 043 045	297 398 859
Between 1 and 3 months	28 319 415	33 005 280
Between 3 and 6 months	9 572 963	22 949 959
Between 6 months and 1 year	54 018 623	49 397 889
Between 1 and 5 years	197 437 243	4 211 667
More than 5 years	32 757 736	23 073 257
	750 149 025	**430 036 911**

Maturity analysis is based on the remaining period from 31 December 2011 to contractual maturity.

	31 Dec 2011 US$	31 Dec 2010 US$
8.2 Loans to directors, key management personnel and employees		
Loans to directors and key management personnel		
Included in advances are loans to directors and key management personnel:-		
Opening balance	1 889 747	1 155 270
Advances made during the year	3 447 156	2 001 006
Repayment during the year	(1 795 019)	(1 266 529)
Closing balance	**3 541 884**	**1 889 747**
Loans to employees		
Included in advances are loans to employees: -		
Opening balance	24 812 647	4 354 608
Advances made during the year	16 107 825	26 397 820
Repayments during the year	(7 987 163)	(5 939 781)
Closing balance	**32 933 309**	**24 812 647**
8.3 Non performing advances		
Total advances on which interest is suspended	47 223 532	1 744 826

	31 Dec 2011 US$	31 Dec 2010 US$
8.4 Impairment of advances		
Opening balance	4 874 499	3 279 419
Charge for impairment	13 721 785	1 591 109
Interest in suspense	2 044 625	3 971
Balance at the end of the year	**20 640 909**	**4 874 499**
8.5 Comprising :		
Specific impairments	6 889 528	683 766
Portfolio impairments	13 751 380	4 190 733
	20 640 908	**4 874 499**
Collaterals		
Notarial general covering bonds and cessions	289 378 234	295 332 874
Mortgage bonds	493 612 956	184 999 684
	782 991 190	**480 332 558**

8.6 Sectoral analysis

	31 Dec 2011 US$	%	31 Dec 2010 US$	%
Private	51 865 835	7	39 781 337	9
Agriculture	225 799 243	30	114 110 414	27
Mining	7 209 438	1	7 869 575	2
Manufacturing	114 845 350	15	72 164 666	17
Distribution	179 001 953	24	116 589 277	27
Construction	18 373 527	2	7 797 065	2
Transport	44 411 295	6	14 274 105	3
Communication	5 014 143	1	9 849 217	2
Services	102 197 558	14	46 991 347	11
Financial organisations	1 430 683	-	609 908	-
	750 149 025	**100**	**430 036 911**	**100**

	31 Dec 2011 US$	31 Dec 2010 US$
9. OTHER ASSETS		
Intercompany balances	47 111 628	21 675 978
Grange stands inventory	4 410 374	5 894 807
Prepaid bond costs	3 538 669	1 134 784
Prepayments and deposits	401 401	458 447
Sundry debtors	3 509 332	8 044 673
	58 971 404	**37 208 689**
10. INVESTMENTS		
Listed investments	130 092	364 258
Unlisted investments	133 284	133 284
	263 376	**497 542**
At cost	133 284	133 284
At fair value	130 092	364 258
	263 376	**497 542**
Portfolio analysis		
Available-for-sale	**263 376**	**497 542**

11. PROPERTY AND EQUIPMENT

	Land US$	Buildings US$	Leasehold Improvements US$	Motor Vehicles US$	Computers and Equipment US$	Work in Progress US$	31 Dec 2011 US$	31 Dec 2010 US$
Cost								
Opening balance	2 140 000	19 682 797	383 374	1 887 737	7 191 974	3 271 550	34 557 432	28 899 756
Additions	-	872 489	37 080	378 217	3 045 580	4 724 105	9 057 471	5 156 233
Revaluation reserve	65 000	993 894	-	-	-	-	1 058 894	1 838 414
Disposals	-	-	(13 578)	(15 858)	(84 591)	(358 163)	(472 190)	(1 336 971)
Transfers	-	10 320	(8 595)	77 760	345 557	(425 042)	-	-
Closing balance	**2 205 000**	**21 559 500**	**398 281**	**2 327 856**	**10 498 520**	**7 212 450**	**44 201 607**	**34 557 432**
Accumulated depreciation								
Opening balance	-	-	53 988	399 897	1 269 371	-	1 723 256	1 108 294
Charge for the year	-	491 426	36 130	461 896	1 343 876	-	2 333 328	1 483 838
Disposals	-	-	-	(7 801)	(32 945)	-	(40 746)	(72 118)
Revaluation	-	(491 426)	-	-	-	-	(491 426)	(796 758)
Closing balance	**-**	**-**	**90 118**	**853 992**	**2 580 302**	**-**	**3 524 412**	**1 723 256**
Net book value	**2 205 000**	**21 559 500**	**308 163**	**1 473 864**	**7 918 218**	**7 212 450**	**40 677 195**	**32 834 176**

Properties were revalued on an open market basis by an independent professional valuer as at 31 December 2011 in accordance with the Royal Institute of Chartered Surveyors Appraisal and Valuation Manual and the Real Estate Institute of Zimbabwe Standards.

The carrying amount of buildings would have been US$16 331 655 had they been carried at cost.
Property and equipment was tested for impairment through comparison with open market values determined by independent valuers. No impairment was identified from the test.

	31 Dec 2011 US$	31 Dec 2010 US$
12. INVESTMENT PROPERTIES		
Opening balance	2 227 500	1 670 000
Fair value gain	60 500	557 500
Closing balance	**2 288 000**	**2 227 500**

Investment properties are carried at fair value determined on an open market basis by an independent professional valuer as at 31 December 2011 in accordance with the Royal Institute of Chartered Surveyors Appraisal and Valuation Manual and the Real Estate Institute of Zimbabwe Standards. The basis of valuation is consistent with that detailed in note 11 to the financial statements

The rental income derived from investments properties amounted to US$2 000.

	31 Dec 2011 US$	31 Dec 2010 US$
13. INTANGIBLE ASSETS		
Computer Software		
At cost	1 560 091	-
Accumulated amortisation	-	-
	1 560 091	**-**
Movement in intangible asset		
Opening balance	-	-
Additions	1 560 091	-
Amortisation charge	-	-
Closing balance	**1 560 091**	**-**

During the year, the Bank upgraded its core banking system, Flexcube, from version 6.2 to version 11. The costs were capitalised at 31 December 2011, the date when the system was deemed to have been available and ready for use. The full cost will be amortised over a period of 3 years commencing 1 January 2012.

	31 Dec 2011 US$	31 Dec 2010 US$ (restated)
14. DEFERRED TAXATION		
Deferred tax related to items charged or credited to statement of comprehensive income during the period is as follows:		
Revaluation of property and equipment	385 720	610 268
Fair value adjustment Available-for-sale financial assets	(1 382)	(10 224)
	384 338	600 044
The deferred tax included in the statement of financial position and changes recorded in the income tax expenses are as follows:		
Fair value adjustments	(3 025)	682 816
Prepayments	(619 837)	118 050
Impairment allowance	(3 533 358)	(1 254 162)
Property and equipment	(490 172)	2 671 162
Other	(153 420)	(3 558 688)
	(4 799 812)	**(1 340 822)**
Add:		
Opening balance	1 026 962	1 767 740
Closing deferred tax balance	**(3 388 512)**	**1 026 962**

Prior year deferred tax was restated. (Refer to note 23)

	31 Dec 2011 US$	31 Dec 2010 US$
15. DEPOSITS		
Call deposits	24 326	-
Savings and other deposits	518 242 930	466 609 516
Money market deposits	239 121 195	108 920 365
Accrued interest	4 852 804	2 477 205
	762 241 255	**578 007 086**
Deposits by source		
Banks	85 403 943	-
Money market	153 728 389	6 500 000
Customers	523 108 923	571 507 086
	762 241 255	**578 007 086**
Deposits by type		
Retail	43 981 136	33 350 869
Corporate	479 127 787	363 322 313
Money market	239 132 332	181 333 904
	762 241 255	**578 007 086**

	31 Dec 2011 US$	%	31 Dec 2010 US$	%
Sectoral analysis				
Private	94 399 174	12	88 729 778	15
Agriculture	26 642 552	4	15 149 023	3
Mining	8 045 161	1	3 554 194	1
Manufacturing	98 652 716	13	92 040 588	16
Distribution	105 369 477	14	94 623 125	16
Construction	18 847 261	2	5 651 751	1
Transport	12 885 970	2	9 205 944	2
Communication	48 813 406	6	36 013 259	6
Services	153 295 628	20	125 513 363	21
Financial organisations	166 721 829	22	90 437 995	16
Financial and investments	28 568 081	4	17 088 066	3
	762 241 255	**100**	**578 007 086**	**100**
Maturity analysis				
Repayable on demand	535 444 329		393 063 201	
Between 1 and 3 months	99 096 473		107 423 885	
Between 3 months and 1 year	74 200 453		72 520 000	
More than 1 year	53 500 000		5 000 000	
	762 241 255		**578 007 086**	

Maturity analysis is based on the remaining period from 31 December 2011 to contractual maturity

16. BOND

	31 Dec 2011 US$	31 Dec 2010 US$
Principle	46 750 620	-
Accrued Interest	132 460	-
Total	**46 883 080**	**-**

The Bond (termed Zimbabwe Economic Recovery Bond) is listed on the Cayman Islands Stock Exchange.During the year, the Bank issued the Bond which has a tenure of 3 years from date of issue to maturity date on 20 April 2014 and pays a coupon of 8.5 % per annum. The Bond is guaranteed by the African Import and Export Bank.

17. OTHER LIABILITIES

	31 Dec 2011 US$	31 Dec 2010 US$
Revenue recieved in advance	17 286 586	7 432 259
Sundry creditors	7 859 358	471 159
Salaries outward suspense	33 997 421	-
RTGS suspense	28 919 232	-
Other suspense accounts	1 486 821	2 911 839
	89 549 418	**10 815 257**

18. SHARE CAPITAL

	31 Dec 2011 US$	31 Dec 2010 US$
Authorised 600 000 000 ordinary shares of US$0.01 each	6 000 000	6 000 000
Issued and fully paid 511 817 951 ordinary shares of US$0.01 each	5 118 180	5 118 180

During the year ended 31 December 2010, the shareholders approved the redenomination of the authorised share capital of the company to US$6 000 000 (six million) divided into 600 000 000 (six hundred million) ordinary shares of a nominal value of US$0.01 (one cent) each. Furthermore, the shareholders approved the redenomination of the issued share capital of the company to US$ 5 118 180 divided into 511 817 951 ordinary shares of a nominal value of US$ 0.01 each. Pursuant to the redenomination above, the shareholders authorized the directors to transfer from the non-distributable reserve to share capital US$ 5 118 180 and to share premium US$ 11 198 956.

	31 Dec 2011 US$	31 Dec 2010 US$
18.1 Non-distributable reserve		
Opening balance	5 522 755	21 839 891
Share capital redenomination	-	(16 317 136)
Closing balance	**5 522 755**	**5 522 755**
18.2 Share premium		
Opening balance	11 198 956	-
Share capital redenomination	-	11 198 956
Closing balance	**11 198 956**	**11 198 956**
18.3 Revenue reserves		
Opening balance	30 098 060	7 896 701
Profit for the year	24 698 365	22 201 359
Dividend paid	(4 000 000)	-
Closing balance	**50 796 425**	**30 098 060**

Prior year revenue reserves were restated. (Refer to note 23)

	31 Dec 2011 US$	31 Dec 2010 US$
18.4 Revaluation reserve		
Opening balance	5 102 562	3 077 659
Revaluation adjustments made during the year	1 164 600	2 024 903
Closing balance	**6 267 162**	**5 102 562**
18.5 Available-for-sale reserve		
Opening balance	(403 714)	221 099
Movement for the year	(232 784)	(624 813)
Closing balance	**(636 498)**	**(403 714)**

19. TAX EFFECTS RELATING TO COMPREHENSIVE INCOME

	31 Dec 2011 US$	31 Dec 2010 US$
Gross revaluation adjustment	1 550 320	2 635 171
Tax expense	(385 720)	(610 268)
Net revaluation adjustment	**1 164 600**	**2 024 903**
Gross fair value adjustment on AFS financial assets	(234 166)	(635 037)
Tax expense	1 382	10 224
Net fair value adjustment on AFS financial assets	(232 784)	(624 813)
Total taxation	**384 338**	**600 044**

20. RISK MANAGEMENT

20.1 Introduction
The Bank subscribes to Risk Management principles and processes. The main focus being to identify, measure, monitor and control all risks inherent in the trading activities of the Bank's operating units. The key objective is to safeguard the Bank's reputation in the financial services market.

20.1.1 Risk management framework
The Board of Directors has overall responsibility for the establishment and oversight of the Bank's risk management framework.

The Bank's risk management policies are established to identify and analyse the risks faced by the Bank, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions, products and services offered. The Bank, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment, in which all employees understand their roles and obligations.

The Bank Audit Committee is responsible for monitoring compliance with the Bank's risk management policies and procedures, and for reviewing the adequacy of the risk management framework in relation to the risks faced by the Bank. The Bank Audit Committee is assisted in these functions by Internal Audit. Internal Audit undertakes both regular and ad-hoc reviews of risk management controls and procedures, the results of which are reported to the Bank Audit Committee.

The Bank`s Management thrust is policy and procedure formulation, implementation and review in line with the changing trading environment of the Bank. The Bank also emphasises on the use of benchmarking, variance analysis and management information system reports that are produced at regular intervals in the risk profiling of banking operations.

Key risks requiring special mention:

20.2 Credit Risk
This risk is defined as the inability or failure of a counter party to meet commitments with respect to lending, trading, hedging, settlement and other related financial obligations as and when they fall due.

Mitigation of this risk is achieved through strict adherence to the Bank`s credit policies and use of segregated credit generation, approval as well as monitoring and control processes. Minimum acceptable credit risk grade is derived through compulsory grading matrix undertaken at point of facilities request.

The Bank has systems generated credit reports used for monitoring and control of the credit function on a daily, monthly and quarterly basis against approved limits, internal benchmarks and industrial standards. To cover its loans from unforeseen eventualities, the Bank also takes security from its borrowing clients. The Bank`s Loans Review Committees stretching to Board level have complete oversight of this risk at subsidiary level.

The table below shows the maximum exposure to credit risk for the components of the statement of financial position.

	31 Dec 2011 US$	31 Dec 2010 US$
Cash and balances with Reserve Bank of Zimbabwe	83 882 443	60 423 294
Nostro balances	18 720 501	18 571 740
Clearing accounts	12 333	1 960
Due from banks	610 683	600 000
Financial assets held for trading	5 050 000	22 127 634
Loans and advances to customers	728 897 433	424 562 412
Other assets	49 497 584	36 540 597
Total	**886 670 977**	**562 827 637**
Contingent liabilities	8 258 351	18 538 136
Commitments	2 838 570	84 749
Total	**11 096 921**	**18 622 885**

Where financial instruments are recorded at fair value the amounts shown above represent the current credit risk exposure but not maximum risk exposure that could arise in the future as a result of changes in value. The Bank held cash and cash equivalents of US$102 615 277 (excluding notes and coins) as at 31 December 2011 which represents its maximum credit exposure on these assets. The cash and cash equivalents are held with the Central Bank, local and foreign banks.

Impaired loans and investment debt securities
Individually impaired loans and securities are loans and advances and investment debt securities (other than those carried at fair value through profit or loss) for which the Bank determines that there is objective evidence of impairment and it does not expect to collect all principal and interest due according to the contractual terms of the loan / investment security agreement(s). Loans and advances and investment debt securities carried at fair value through profit or loss are not assessed for impairment but are subject to the same internal grading system.

Allowances for impairment
The Bank establishes an allowance for impairment on assets carried at amortised cost or classified as available- for- sale that represents its estimate of incurred losses in its loan and investment debt security portfolio. The main components of this allowance are a specific loss component that relates to individually significant exposures, and a collective loan loss allowance established for groups of homogeneous assets in respect of losses that have been incurred but have not been identified on loans that are considered individually insignificant as well as individually significant exposures that were subject to individual assessment for impairment but not found to be individually impaired.

Write-offs
The Bank writes off a loan or an investment debt security balance, and any related allowances for impairment, when the relevant committees determine that the loan or security is uncollectible. This determination is made after considering information such as the occurrence of significant changes in the borrower's / issuer's financial position such that the borrower / issuer can no longer pay the obligation, or that proceeds from collateral will not be sufficient to pay back the entire exposure. For smaller balance standardised loans, write-off decisions are generally based on a product-specific past due status.

Concetration of credit risk
The directors believe that the concetration risk is limited due to the customer base being large and unrelated. The Bank is not exposed to any customer by more than 10% of the total advance book.

20.3 Market related risks
These risks arise from the negative changes in market variables of interest rates, foreign exchange rates, equity prices and commodity prices, which can cause substantial variations in income and economic value of the Bank if not properly managed.

20. 4 Liquidity risk
This can be split into two critical parts that is, funding liquidity which is a cash flow risk and results in inability to meet payment obligations as they fall due. It can also arise from asset or product liquidity which is the risk of failure of a transaction from being conducted at the prevailing market price due to the transaction size vis-a-vis the position relative to normal trading lots.

To manage this risk, there is oversight at Board level through the Board Risk Management Committee which covers Asset and Liability Management processes through periodic review of the Bank's ALCO policy and benchmarks meant to assist in attaining the Bank's liquidity strategic plan. The Bank's Executive Management implements policy and track performance regularly against set benchmarks through use of daily liquidity position reports, bank cash flow analysis, liquidity matrix analysis, liquidity gap analysis and liquidity simulations to withstand stressed liquidity situations.

Liquidity Gap Analysis
31 December 2011

	Demand US$	1 to 3 months US$	3 months to 1 year US$	1 to 5 years US$	5 years and above US$	Total US$
Assets						
Loans and advances	407 402 136	28 319 415	63 591 586	197 437 243	32 757 736	729 508 116
Balances with banks and cash	56 599 078	83 461 286	-	-	-	140 060 364
Money market assets	-	5 050 000	-	-	-	5 050 000
Other assets	-	49 237 871	-	-	-	49 237 871
Total	**464 001 214**	**166 068 572**	**63 591 586**	**197 437 243**	**32 757 736**	**923 856 351**
Liabilities						
Deposits	535 444 329	99 096 473	74 200 453	53 500 000	-	762 241 255
Bond	-	-	-	46 883 080	-	46 883 080
Current income tax	-	4 826 325	-	-	-	4 826 325
Other liabilities	-	72 262 834	-	-	-	72 262 834
Financial guarantees	-	-	8 258 351	-	-	8 258 351
Total	**535 444 329**	**176 185 632**	**82 458 804**	**100 383 080**	**-**	**894 471 845**
Liquidity gap	(71 443 115)	(10 117 060)	(18 867 218)	97 054 163	32 757 736	29 384 506
Cumulative liquidity gap	(71 443 115)	(81 560 175)	(100 427 393)	(3 373 230)	29 384 506	29 384 506

31 December 2010

	Demand US$	1 to 3 months US$	3 months to 1 year US$	1 to 5 years US$	5 years and above US$	Total US$
Assets						
Loans and advances	292 524 360	33 005 280	72 347 847	4 211 667	23 073 258	425 162 412
Balances with banks and cash	69 222 537	60 423 284	-	-	-	129 645 821
Money market assets	-	22 127 634	-	-	-	22 127 634
Total	**361 746 897**	**115 556 198**	**72 347 847**	**4 211 667**	**23 073 258**	**576 935 867**
Liabilities						
Deposits	393 063 201	107 423 885	72 520 000	5 000 000	-	578 007 086
Current income tax	-	3 217 670	-	-	-	3 217 670
Other liabilities	-	-	-	10 815 257	-	10 815 257
Financial guarantees	-	-	-	-	18 538 136	18 538 136
Total	**393 063 201**	**110 641 555**	**72 520 000**	**15 815 257**	**18 538 136**	**610 578 149**
Liquidity gap	(31 316 304)	4 914 643	(172 153)	(11 603 590)	4 535 122	(33 642 282)
Cumulative liquidity gap	(31 316 304)	(26 401 661)	(26 573 814)	(38 177 404)	(33 642 282)	(33 642 282)

Details of the liquidity ratio for the Bank at the reporting date and during the reporting period were as follows:

	%
At 31 December 2010	26.26
At 31 December 2011	25.99
Average for the year	27.83
Maximum for the year	29.66
Minimum for the year	22.76

20.5 Interest rate risk
This the possibility of a bank's interest income being negatively influenced by unforeseen changes in the interest rate levels arising from weaknesses related to a bank's trading, funding and investment strategies.

This is managed at both Board and Management level through the regular policy and benchmarks which related also to interest rate risk. Key areas of intervention involves daily monitoring of costs of funds to the bank, monthly analysis of interest repricing gaps, monthly interest rate simulations to establish the Bank's ability to sustain a stressed interest rate environment as well as denomination on bank facilities in the base currency to minimize cross currency interest rate risk. The Bank's interest rate risk profiling is displayed below.

INTEREST RATE REPRICING AND GAP ANALYSIS

31 December 2011

	Demand US$	1 to 3 months US$	3 months to 1 year US$	1 to 5 years US$	5 years and above US$	Non- interest bearing US$	Total US$
Assets							
Balances with banks and cash	56 599 078	83 461 286	-	-	-	-	140 060 364
Money market assets	-	5 050 000	-	-	-	-	5 050 000
Advances	407 402 136	28 319 415	63 591 586	197 437 243	32 757 736	-	729 508 116
Other assets	-	46 756 196	-	-	-	12 215 208	58 971 404
Investments	-	-	-	-	-	263 376	263 376
Investment properties	-	-	-	-	-	2 288 000	2 288 000
Property and equipment	-	-	-	-	-	40 677 195	40 677 195
Deferred taxation	-	-	-	-	-	3 388 512	3 388 512
Intangible assets	-	-	-	-	-	1 560 091	1 560 091
TOTAL ASSETS	**464 001 214**	**163 586 897**	**63 591 586**	**197 437 243**	**32 757 736**	**60 392 382**	**981 767 058**
Liabilities and equity reserves							
Deposits	535 444 329	99 096 473	74 200 453	53 500 000	-	-	762 241 255
Bond	-	-	-	46 883 080	-	-	46 883 080
Other liabilities	-	-	-	-	-	89 549 418	89 549 418
Current taxation payable	-	-	-	-	-	4 826 325	4 826 325
Equity and reserves	-	-	-	-	-	78 266 980	78 266 980
TOTAL LIABILITIES AND EQUITY	**535 444 329**	**99 096 473**	**74 200 453**	**100 383 080**	**-**	**172 642 723**	**981 767 058**
Interest rate repricing gap	(71 443 115)	64 490 424	(10 608 867)	97 054 163	32 757 736	(112 250 341)	-
Cumulative gap	(71 443 115)	(6 952 691)	(17 561 558)	79 492 605	112 250 341	-	-

31 December 2010

	Demand US$	1 to 3 months US$	3 months to 1 year US$	1 to 5 years US$	5 years and above US$	Non- interest bearing US$	Total US$
Assets							
Balances with banks and cash	69 222 537	60 423 284	-	-	-	-	129 645 821
Money market assets	-	22 127 634	-	-	-	-	22 127 634
Advances	292 524 360	33 005 280	72 347 847	4 211 667	23 073 258	-	425 162 412
Other assets	-	-	-	-	-	37 208 689	37 208 689
Investments	-	-	-	-	-	497 542	497 542
Investment properties	-	-	-	-	-	2 227 500	2 227 500
Property and equipment	-	-	-	-	-	32 834 176	32 834 176
TOTAL ASSETS	**361 746 897**	**115 556 198**	**72 347 847**	**4 211 667**	**23 073 258**	**72 767 907**	**649 703 774**
Liabilities and equity reserves							
Deposits	393 063 201	107 423 885	72 520 000	5 000 000	-	-	578 007 086
Other liabilities	-	-	-	-	-	10 815 257	10 815 257
Deferred taxation*	-	-	-	-	-	1 026 962	1 026 962
Current taxation payable	-	3 217 670	-	-	-	-	3 217 670
Equity and reserves*	-	-	-	-	-	56 636 799	56 636 799
TOTAL LIABILITIES AND EQUITY	**393 063 201**	**110 641 555**	**72 520 000**	**5 000 000**	**-**	**68 479 018**	**649 703 774**
Interest rate repricing gap	(31 316 304)	4 914 643	(172 153)	(788 333)	23 073 258	4 288 889	-
Cumulative gap	(31 316 304)	(26 401 661)	(26 573 814)	(27 362 147)	(4 288 889)	-	-

*Restated. (Refer to nate 23)

20.6 Foreign exchange risk
This risk arises from the changes in exchange rates and originates from mismatches between the values of assets and liabilities denominated in different currencies and can lead to losses if there is an adverse movement in exchange rate where open positions either spot or forward, are taken for both on and off – statement of financial position transactions.

There is oversight at Board level through the Board Risk Management Committee which covers ALCO processes by way of strategic policy and benchmarking reviews and approval. Management ALCO which is held on a monthly basis reviews performance against set benchmarks embedded under acceptable currencies, currency positions as well as stop loss limits.

At 31 December 2011, if foreign exchange rates at that date had weakened or strengthened by 5 percentage points with all other variables held constant, post tax profit for the period would have been US$891 646 higher or lower respectively than the reported position. This arises as a result of the increase or decrease in the fair value of the underlying assets and liabilities denominated in foreign currencies. The foreign currency position for the Bank as at 31 December 2011 is as below:

FOREIGN CURRENCY POSITION
(Position expressed in US$)

31 DECEMBER 2011

	Total	USD	ZAR	GBP	Other foreign currencies
Assets					
Balances with banks and cash	140 060 364	116 643 112	17 432 886	2 132 413	3 851 953
Money market assets	5 050 000	5 050 000	-	-	-
Advances	729 508 116	727 383 977	315 818	1 614 925	193 396
Other assets	58 971 404	58 696 372	250 117	25 503	(588)
Investments	263 376	158 655	-	-	104 721
Investment properties	2 288 000	2 288 000	-	-	-
Property and equipment	40 677 195	40 594 218	6 869	-	76 108
Deferred taxation	3 388 512	3 388 512	-	-	-
Intangible assets	1 560 091	1 560 091	-	-	-
TOTAL ASSETS	**981 767 058**	**955 762 937**	**18 005 690**	**3 772 841**	**4 225 590**
Liabilities and equity reserves					
Deposits	762 241 255	718 419 583	20 988 927	3 937 266	18 895 479
Bond	46 883 080	46 883 080	-	-	-
Other liabilities	89 549 418	89 534 052	36 983	58 760	(80 377)
Current taxation payable	4 826 325	4 826 325	-	-	-
Deferred taxation	-	-	-	-	-
Equity and reserves	78 266 980	78 266 980	-	-	-
TOTAL LIABILITIES AND EQUITY	**981 767 058**	**937 930 020**	**21 025 910**	**3 996 026**	**18 815 102**

31 December 2010

	Total	USD	ZAR	GBP	Other foreign currencies
Assets					
Balances with banks and cash	129 645 821	101 394 617	24 034 308	2 031 014	2 185 882
Money market assets	22 127 634	11 063 352	10 599 232	-	465 050
Advances	425 162 412	423 476 300	1 190 995	254 212	240 905
Other assets	37 208 689	35 761 550	431 200	245 965	769 974
Investments	497 542	392 821	-	-	104 721
Investment properties	2 227 500	2 227 500	-	-	-
Property and equipment	32 834 176	32 834 176	-	-	-
TOTAL ASSETS	**649 703 774**	**607 150 316**	**36 255 735**	**2 531 191**	**3 766 532**
Liabilities and equity reserves					
Deposits	578 007 086	541 337 334	29 384 209	859 609	6 425 934
Other liabilities	10 815 257	10 739 882	15 919	59 415	41
Deferred taxation*	1 026 962	1 026 962	-	-	-
Current taxation payable	3 217 670	3 217 670	-	-	-
Equity and reserves*	56 636 799	56 636 799	-	-	-
TOTAL LIABILITIES AND EQUITY	**649 703 774**	**612 958 647**	**29 400 128**	**919 024**	**6 425 975**

*Restated. (Refer to nate 23)

Position expressed in underlying currency

31 December 2011

	ZAR	GBP	Other foreign currencies in US$
Assets			
Cash and short term assets	142 485 953	1 383 067	3 851 953
Advances	2 581 308	1 047 428	193 396
Other assets	2 044 309	16 541	(588)
Investments	-	-	104 721
TOTAL ASSETS	**147 111 570**	**2 447 036**	**4 149 482**
Liabilities and equity reserves			
Deposits	171 550 896	2 553 682	18 895 479
Other liabilities	302 279	38 111	(80 377)
TOTAL LIABILITIES AND EQUITY	**171 853 175**	**2 591 793**	**18 815 102**
Net position	**(24 741 605)**	**(144 757)**	**(14 665 620)**

31 December 2010

	ZAR	GBP	Other foreign currencies in US$
Assets			
Cash and short term assets	158 957 064	1 314 232	2 185 882
Advances	7 876 950	164 496	240 904
Other assets	2 851 849	159 160	769 974
Money Market assets	70 100 739	-	465 050
Investments	-	-	104 721
TOTAL ASSETS	**239 786 602**	**1 637 888**	**3 766 531**
Liabilities and equity reserves			
Deposits	194 340 009	556 237	6 425 934
Other liabilities	105 287	38 447	42
TOTAL LIABILITIES AND EQUITY	**194 445 296**	**594 684**	**6 425 976**
Net position	**45 341 306**	**1 043 204**	**(2 659 445)**

20.7 Operational risk

The risk arises from human error and fraud, inadequate or failed internal processes, systems, non-adherence to procedure or other external sources that result in the compromising of the Bank's income or erosion of the Bank's statement of financial position value.

There is adequate oversight at Board level through the Board Risk Management Committee which is responsible for the approval and periodic review of the Bank's Operations Policy. The Board Audit Committee through Internal Audit function performs its independent review and assurances under processes and procedures as set under Business Units procedure manuals. Risk Management, IT Department as well as Organisation and Methods Department ensures processes, procedures and control systems are in line with variables in the operating environment.

The Bank has Business Continuity plans in place to ensure that there is continuity of Business processes and operations.

20.8 Strategic risk

This is the risk that arises where the Bank's strategy may be inappropriate to support its long term corporate goals due to underlying inadequate strategic planning process, weak decision making process as well as weak strategic implementation programs.

To mitigate this risk, the Bank Management teams craft the strategy with guidance from the Board which is underpinned to Bank corporate goals. Approval of the strategy is the responsibility of the Board whilst implementation is carried out by Management. Strategy and goal congruency is reviewed monthly by Management and quarterly by the Board.

20.9 Regulatory risk

Regulatory risk which is defined as the failure to comply with applicable laws and regulations or supervisory requirements, or the exclusion of provisions of relevant regulatory requirements out of operational procedures, is managed and mitigated through:

- Comprehensive and consistent compliance policies and procedures that exist throughout the Bank;
- A proactive and complete summary statement of the Bank's position on ethics and compliance;
- A reporting structure of the Compliance Function that ensures independence and effectiveness, and
- Periodic compliance and awareness training targeting employees in compliance sensitive areas.

20.10 Reputation risk

This is the risk that arises from the market perception of the manner in which the Bank packages and delivers its products and services, how staff and management conduct themselves and how it relates to the general business ethics.

This risk is managed and mitigated through:
- Upgrading operating facilities to ensure that they remain within the taste of the Bank's diversified clientele base.
- Ensuring that staff members subscribe to the Bank's code of conduct and general business ethics on and after joining the Bank.
- Stakeholders' feedback systems that ensures a proactive attention to the Bank's reputation management.

20.11 Money-laundering risk

This is the risk of financial or reputational loss or liability suffered as a result of transactions in which criminal financiers disguise the origin of funds they deposit in the Bank and then use the funds to support illegal activities.

This risk is managed and controlled through:
- Know Your Customer Procedures;
- Knowledge management to facilitate learning and leveraging successes and failures;
- Effective use of compliance enabling technology to enhance anti–money laundering program management, communication, monitoring, and reporting;
- Development of early warning systems; and
- Integration of compliance into individual performance measurement and reward structures.

20.12 Settlement risk

The Bank's activities may give rise to risk at the time of settlement of transactions and trades. Settlement risk is the risk of loss due to failure of a company to honour its obligations to deliver cash, securities or other assets as contractually agreed.

For certain types of transactions the Bank mitigates this risk by conducting settlements through a settlement/clearing agent to ensure that a trade is settled only when both parties have fulfilled their contractual settlement obligation. Settlement limits form part of the credit approval/limit monitoring process. Acceptance of settlement risk on free settlement trades requires transaction specific or counterparty specific approvals from the Bank Risk's Management Committee.

20.13 Capital risk

Capital risk refers to the risk of the Bank's own capital resources being adversely affected by unfavourable external developments.

The Bank's Capital resources should therefore be adequate to absorb losses such as operating losses, and capital losses on investments. So long as net losses can be fully offset against capital invested by the Bank's owners, the legal claims of depositors or other creditors are not compromised, and the Bank can continue to function without interrupting its operations.

The Bank's policy is to maintain investor, creditor and market confidence and to sustain future development of the business. The impact of the level of capital on shareholders' return that might be possible with greater gearing and the advantages and security afforded by a sound capital position.

Risk and Credit ratings

External Credit Rating

Rating Agent	2011	2010	2009	2008	2007	2006	2005
Global Credit Rating Co. (Short Term)	-	-	-	-	-	A1	A1
Global Credit Rating Co. (Long Term)	A+	A	A	A	A+	A+	A

No short-term ratings were provided by the rating agent from 2007 to 2011.

Reserve Bank of Zimbabwe Ratings

CAMELS RATING MATRIX							
2011	Composite	Capital Adequacy	Asset Quality	Management	Earnings	Liquidity	Sensitivity to market risk
CBZ Bank Limited	1	1	2	1	1	2	2
CBZ Holdings Group	2	2	2	-	2	2	2

Key
1. Strong
2. Satisfactory
3. Fair
4. Substandard
5. Weak

21. CAPITAL MANAGEMENT

The primary objectives of the Bank's capital management are to ensure that the Bank complies with external imposed capital requirements and the Bank maintains strong credit ratings and healthy capital ratios in order to support its business and maximise shareholder value.

The Bank manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of its activities. In order to maintain or adjust the capital structure, the Bank may adjust the amount of dividend payment to shareholders, retain capital or issue capital securities. No changes were made in the objectives, policies and processes from the previous years.

21.1. Capital adequacy

The capital adequacy is calculated in terms of the guidelines issued by the Reserve Bank of Zimbabwe (RBZ).

	31 Dec 2011 US$	31 Dec 2010 US$ restated
Risk weighted Assets	**753 796 864**	**538 538 879**
Total qualifying capital	83 984 157	61 507 326
Tier 1		
Share capital	5 118 180	5 118 180
Share premium	11 198 956	11 198 956
Revenue reserves	50 796 424	30 098 060
Less tier 1 deductions	(16 273 205)	(6 921 270)
	50 840 355	39 493 926
Tier 2		
Revaluation reserve	11 153 419	10 221 602
General provisions	9 422 461	4 870 528
	20 575 880	15 092 130
Tier 3		
Capital allocated for market risk	880 997	-
Capital allocated to operations risk	11 686 925	6 921 270
	12 567 922	6 921 270
Capital adequacy	**11.14%**	**11.42%**
- Tier 1	6.74%	7.33%
- Tier 2	2.73%	2.80%
- Tier 3	1.67%	1.29%

Regulatory capital consists of Tier 1 capital that comprises share capital, share premium and revenue reserves including current period profit. The other component of the regulatory capital is Tier 2 capital, which includes hidden reserves agreed to by Banking Supervision of the RBZ, general provisions and revaluation reserves.

22. CORPORATE GOVERNANCE STATEMENT

The quality of corporate governance practices is becoming an increasingly important factor in maintaining market confidence. The Bank is committed to and supports the principles contained in the RBZ Corporate Governance Guideline No. 01-2004/BSD, as well as the King II and III Code which is an internationally regarded benchmark in Corporate Governance.

23. RESTATEMENT OF PRIOR YEAR FINANCIAL STATEMENTS

The Bank applied retrospectively, the impact of deferred taxation erroneously calculated on loan impairment provisions. The impact on the financial statements is to reduce the deferred tax liability and also to reduce the amount recognised in the Statement of Comprehensive Income in prior year.

The effect of the correction of the error on prior year is as follows:

EXTRACT OF STATEMENT OF FINANCIAL POSTION AS AT 31 DECEMBER 2010

	As per 2010 Financial statements US$	Prior Year Adjustment US$	31 Dec 2010 restated US$
ASSETS			
TOTAL ASSETS	**649 703 774**	**-**	**649 703 774**
LIABILITIES			
Deferred taxation	2 281 124	(1 254 162)	1 026 962
TOTAL LIABILITIES	**594 321 137**	**(1 254 162)**	**593 066 975**
EQUITY AND RESERVES			
Revenue reserves	28 843 898	1 254 162	30 098 060
TOTAL EQUITY AND RESERVES	55 382 637	1 254 162	56 636 799
TOTAL LIABILITIES, EQUITY AND RESERVES	**649 703 774**	**-**	**649 703 774**

EXTRACT OF STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2010

	As per 2010 Financial statements US$	Prior Year Adjustment US$	31 Dec 2010 restated US$
Profit before tax	29 547 938	-	29 547 938
Taxation	(8 600 741)	1 254 162	(7 346 579)
Profit after taxation	**20 947 197**	**1 254 162**	**22 201 359**
Profit attributable to:			
Equity Holders of parent	**20 947 197**	**1 254 162**	**22 201 359**
Total comprehensive income attributed to :			
Equity holders of parent	**22 347 287**	**1 254 162**	**23 601 449**
Earnings per share (cents)			
Basic	4.0927	0.0245	4.3377
Diluted	4.0927	0.0245	4.3377

Risk Management

The prior year adjustment had the following effect to tier 1 capital and the capital adequacy ratio

Tier 1 capital (Revenue Reserves)	**28 843 898**	**1 254 162**	**30 098 060**
Capital Adequacy:	%	%	%
Tier 1	7.10	0.23	7.33
Tier 2	2.80	-	2.80
Tier 3	1.29	-	1.29
Total	**11.19**	**0.23**	**11.42**

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2011

	31 Dec 2011 US$	31 Dec 2010 US$
Gross premium income	5 904 084	4 128 812
Reinsurance	(3 491 532)	(1 963 302)
Net written premium	**2 412 552**	**2 165 510**
Unearned premiums	(53 134)	(617 066)
Net earned premium	2 359 418	1 548 444
Net commission	90 699	(50 210)
Net claims	(703 161)	(411 094)
Technical result	1 746 956	1 087 140
Operating expenditure	(1 425 418)	(910 070)
Underwriting profit	**321 538**	**177 070**
Other income	73 331	36 502
Reversal of impairment allowance	14 291	38 611
Profit before taxation	**409 160**	**252 183**
Taxation	(114 453)	(112 554)
Profit for the year	**294 707**	**139 629**
Other comprehensive income	-	-
Total comprehensive income	**294 707**	**139 629**

STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2011

	31 Dec 2011 US$	31 Dec 2010 US$
ASSETS		
Non-current assets		
Investment property	115 000	-
Property and equipment	119 550	181 009
Intangible assets	249 547	332 730
Listed investments	262 174	156 584
Deferred tax	33 381	31 750
Total non-current assets	**779 652**	**702 073**
Technical assets		
Reinsurance unearned premium reserve	858 720	555 809
Deferred acquisition costs	207 403	179 527
Reinsurance claims outstanding	77 169	394 640
Reinsurance receivables	331 896	137 401
Total technical assets	**1 475 188**	**1 267 377**
Current assets		
Inventory	8 010	6 235
Insurance receivables	1 227 662	674 030
Other receivables	262 779	25 366
Money market assets	588 104	338 503
Cash and bank balances	139 830	197 312
Total current assets	**2 226 385**	**1 241 446**
TOTAL ASSETS	**4 481 225**	**3 210 896**
EQUITY AND RESERVES		
Share capital	50 500	50 000
Share premium	589 807	50 307
Share allotment reserve	-	480 876
Retained earnings	303 605	8 898
Total equity and reserves	**943 912**	**590 081**
LIABILITIES		
Non-current liabilities		
Deferred tax	79 528	18 382
Loans	91 944	-
Total non-current liabilities	**171 472**	**18 382**
Technical liabilities		
Gross unearned premium reserve	1 630 929	1 274 885
Gross outstanding claims	195 350	433 332
Unearned commission reserve	195 090	144 612
Incurred but not reported	120 628	98 629
Total technical liabilities	**2 141 997**	**1 951 458**
Current liabilities		
Reinsurance payables	840 582	303 859
Other payables	331 631	283 991
Taxation	51 631	63 125
Total current liabilities	**1 223 844**	**650 975**
TOTAL LIABILITIES	**3 537 313**	**2 620 815**
TOTAL EQUITY, RESERVES AND LIABILITIES	**4 481 225**	**3 210 896**

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2011

	Share capital US$	Share premium reserve US$	Share allotment US$	Retained earnings US$	Total US$
2010					
Balance at beginning of year	50 000	50 307	381 687	(130 731)	351 263
Rights issue proceeds	-	-	99 189	-	99 189
Total comprehensive income	-	-	-	139 629	139 629
Balance at 31 December 2010	**50 000**	**50 307**	**480 876**	**8 898**	**590 081**
2011					
Balance at begining of year	50 000	50 307	480 876	8 898	590 081
Rights issue proceeds	-	-	59 124	-	59 124
Rights issue share allotment	500	539 500	(540 000)	-	-
Total comprehensive income	-	-	-	294 707	294 707
Balance at 31 December 2011	**50 500**	**589 807**	**-**	**303 605**	**943 912**

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2011

	31 Dec 2011 US$	31 Dec 2010 US$
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	**409 160**	**252 183**
Non cash items:		
•Depreciation	42 992	61 538
•Amortisation	83 183	83 183
•Fair value adjustment	(3 224)	(15 114)
•Unearned premium	53 134	617 066
•Deferred acquisition cost	22 602	(39 980)
•Claims incurred but not yet reported	21 999	63 785
•Profit on disposal of property and equipment	(2 980)	-
•Other non cash items	27	-
Operating profit before changes in operating assets and liabilities	**626 893**	**1 022 661**
Changes in operating assets and liabilities		
Receivables	(1 098 394)	(2 245 542)
Money market investments	(249 601)	(287 816)
Payables	866 846	1 760 390
	(481 149)	**249 693**
Taxation		
Tax paid	**(66 431)**	**(1 747)**
Net cash inflow from operating activities	**79 313**	**247 946**
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(15 858)	(221 045)
Purchase of investment property	(111 776)	-
Net change in investments	(105 590)	(5 144)
Proceeds on disposal of property and equipment	37 305	-
Net cash outflow from investing activities	**(195 919)**	**(226 189)**
CASH FLOWS FROM FINANCING ACTIVITIES		
Rights issue proceeds	59 124	99 189
Net cash inflow from financing activities	**59 124**	**99 189**
NET INCREASE IN CASH AND BANK BALANCES	(57 482)	120 946
Cash and bank balances at beginning of year	197 312	76 366
Cash and bank balances at end of year	**139 830**	**197 312**

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2011

	31 Dec 2011 US$	31 Dec 2010 US$ (restated)
Gross premium income	1 650 646	5 083
Reinsurance	(24 414)	-
Net written premium	**1 626 232**	**5 083**
Net commission	(164 498)	-
Net claims	(34 912)	-
Technical result	1 426 822	5 083
Operating expenditure	(485 995)	(388 069)
Underwriting profit/(loss)	**940 827**	**(382 986)**
Other income	100 015	18 524
Transfer to life fund	(891 755)	-
Profit/ (loss) before taxation	**149 087**	**(364 462)**
Taxation	(2 234)	-
Profit / (loss) for the year	**146 853**	**(364 462)**
Other comprehensive income	-	-
Total comprehensive income/(loss)	**146 853**	**(364 462)**

STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2011

	31 Dec 2011 US$	31 Dec 2010 US$ (restated)
ASSETS		
Cash and bank balances	117 722	1 024 260
Money market assets	2 320 274	-
Insurance receivables	46 014	-
Other receivables	400	-
Property and equipment	97 188	309
Intangible assets	3 679	-
TOTAL ASSETS	**2 585 277**	**1 024 569**
LIABILITIES		
Insurance payables	891 755	-
Other payables	523 344	1 017
Taxation	(227)	-
TOTAL LIABILITIES	**1 414 872**	**1 017**
EQUITY AND RESERVES		
Share capital	2	2
Share premium	1 388 012	1 388 012
Accumulated losses	(217 609)	(364 462)
TOTAL EQUITY AND RESERVES	**1 170 405**	**1 023 552**
TOTAL LIABILITIES AND EQUITY AND RESERVES	**2 585 277**	**1 024 569**

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2011

	Share capital US$	Share premium US$	Non distributable reserve US$	Accumulated losses US$	Total US$
2010					
Balance at beginning of year	-	-	-	-	-
Share issue	2	1 388 012	-	-	1 388 014
Total comprehensive income (restated)	-	-	-	(364 462)	(364 462)
Balance at 31 December 2010 (restated)	**2**	**1 388 012**	**-**	**(364 462)**	**1 023 552**
2011					
Balance at the beginning of the year (restated)	2	1 388 012	-	(364 462)	1 023 552
Total comprehensive income	-	-	-	146 853	146 853
Balance at 31 December 2011	**2**	**1 388 012**	**-**	**(217 609)**	**1 170 405**

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2011

	31 Dec 2011 US$	31 Dec 2010 US$
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit/(loss) before taxation	**149 087**	**(364 462)**
Non cash items:		
•Depreciation	5 122	-
•Unearned premium	752 793	-
•IBNR claims provision reserve movement	138 962	-
Operating profit before changes in operating assets and liabilities	**1 045 964**	**(364 462)**
Changes in operating assets and liabilities		
Increase in insurance assets	(937 769)	-
Increase in Insurance Liabilities	891 755	-
Increase in Other payables	522 327	1 017
Increase in Money market investments	(2 320 274)	-
Increase in Other receivables	(400)	-
	(1 844 361)	**1 017**
Tax paid	(2 461)	-
Net cash outflow from operating activities	**(800 858)**	**(363 445)**
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(102 001)	(309)
Purchase of intangible assets	(3 679)	-
Net cash outflow from investing activities	**(105 680)**	**(309)**
CASH FLOWS FROM FINANCING ACTIVITIES		
Share issue	-	1 388 014
Net cash flow from financing activities	**-**	**1 388 014**
NET (DECREASE)/INCREASE IN CASH AND BANK BALANCES	(906 538)	1 024 260
Cash and bank balances at beginning of year	1 024 260	-
Cash and bank balances at the end of year	**117 722**	**1 024 260**

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2011

	Note	31 Dec 2011 US$	31 Dec 2010 US$
Interest income	2	30 361	1 786
Non-interest income	3	1 118 349	1 077 128
Total income		**1 148 710**	**1 078 914**
Operating expenditure	4	(1 323 750)	(1 725 702)
Impairment of loans and advances		(49 749)	-
Finance costs		(13 748)	-
Loss before taxation		**(238 537)**	**(646 788)**
Taxation	5	63 275	153 144
Loss for the period		**(175 262)**	**(493 644)**
Other comprehensive income		-	-
Total comprehensive (loss)		**(175 262)**	**(493 644)**

STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2011

	Note	31 Dec 2011 US$	31 Dec 2010 US$
ASSETS			
Balances with banks and cash	6	170 532	4 372
Loans and advances	7	322 781	76 631
Other assets	8	132 932	20 580
Investments	9	863 938	1 314 641
Investment property	10	61 750	-
Property and equipment	11	83 637	144 011
Intangible assets	12	319 554	19 022
Current tax assets		15 800	-
Deferred tax	13	2 932	-
TOTAL ASSETS		**1 973 856**	**1 579 257**
LIABILITIES			
Bank overdraft	6	-	9 561
Other liabilities	14	538 115	183 638
Borrowings		420 000	-
Provisions		109 785	244 498
Deferred tax	13	-	60 342
TOTAL LIABILITIES		**1 067 900**	**498 039**
EQUITY AND RESERVES			
Share capital		61 005	61 005
Share premium		977 425	977 425
Non-distributable reserve		-	-
Accumulated (loss)/profit		(132 474)	42 788
TOTAL EQUITY AND RESERVES		**905 956**	**1 081 218**
TOTAL LIABILITIES, EQUITY AND RESERVES		**1 973 856**	**1 579 257**

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2011

	Share capital US$	Share premium US$	Non-distributable reserve US$	Accumulated (loss)/profit US$	Total US$
2010					
Balance at the beginning of the year	-	-	538 567	536 432	1 074 999
Share capital redenomination	60 005	478 562	(538 567)	-	-
Rights issue	1 000	498 863	-	-	499 863
Total comprehensive income	-	-	-	(493 644)	(493 644)
Balance at the end of the year	**61 005**	**977 425**	**-**	**42 788**	**1 081 218**
2011					
Balance at the beginning of the year	61 005	977 425	-	42 788	1 081 218
Total comprehensive income	-	-	-	(175 262)	(175 262)
Balance at the end of the year	**61 005**	**977 425**	**-**	**(132 474)**	**905 956**

STATEMENT OF CASHFLOWS FOR THE YEAR ENDED 31 DECEMBER 2011

	31 Dec 2011 US$	31 Dec 2010 US$
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	(238 537)	(646 788)
Non cash items:		
•Unrealised gain on foreign currencies	1	(12)
•Depreciation and amortisation	45 305	57 813
•Fair value adjustment	270 828	250 059
•Impairment on advance	30 727	19 042
•Impairment on intangible asset	19 022	-
•Profit on sale of property and equipment	(39 464)	(11 153)
Operating profit before changes in operating assets and liabilities	**87 882**	**(331 039)**
Changes in operating assets and liabilities		
Advances	(276 877)	(11 414)
Other assets	(112 352)	77 219
Net change in investments	179 875	14 884
Other liabilities	639 764	269 095
	430 410	**349 784**
Corporate tax paid	(15 800)	(43 097)
Net cash flow from operating activities	**502 492**	**(24 352)**
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investment property	(61 750)	-
Proceeds on disposal of property and equipment	97 301	59 397
Purchase of intangible assets	(319 554)	(1 400)
Purchase of property and equipment	(42 768)	(29 008)
Net cash flow from investing activities	**(326 771)**	**28 989**
NET INCREASE IN BALANCE WITH BANKS AND CASH	175 721	4 637
Balance with banks and cash at beginning of year	(5 189)	(9 826)
Balance with banks and cash at end of year	**170 532**	**(5 189)**

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2011

1 NATURE OF BUSINESS

CBZ Asset Management (Private) Limited, incorporated in Zimbabwe, is a registered asset management company which is governed by the Collective Investments Schemes Act (1997) and the Asset Management Act [Chapter 24:26] (2004). The main activity is fund management and the provision of unit trusts. The Company is a wholly owned subsidiary of CBZ Holdings Limited, duly incorporated in Zimbabwe.

	31 Dec 2011 US$	31 Dec 2010 US$
2. INTEREST INCOME		
Current accounts	97	168
Short term money market investments	23 026	-
Staff loans	7 238	1 618
	30 361	**1 786**
3. NON-INTEREST INCOME		
Net income from trading securities	217 922	305 807
Fair value adjustments – equity investments	(270 828)	(250 059)
Commission and fee income	1 126 173	1 004 961
Profit on sale of assets	39 463	11 153
Other operating income	5 619	5 266
	1 118 349	**1 077 128**
4. OPERATING EXPENDITURE		
Staff costs	774 310	960 275
Administration expenses	459 839	592 685
Depreciation and amortisation	45 305	57 813
Audit fees	44 296	114 929
	1 323 750	**1 725 702**
Directors remuneration (included in staff costs)		
Salaries and other benefits	149 691	135 859

5. TAXATION

Current income tax and deferred tax on temporary differences have been fully provided for. Deferred income tax is calculated using the balance sheet liability method.

	31 Dec 2011 US$	31 Dec 2010 US$
Analysis of tax charge in respect of the profit for the year		
Current income tax charge	(60 150)	(82 303)
Deferred income tax	(3 125)	(70 841)
Income tax expense	**(63 275)**	**(153 144)**
Tax rate reconciliation	**%**	**%**
Notional tax	25.00	25.00
Aids levy	0.75	0.75
Allowable income / (permanent differences)	0.78	(2.33)
Effective rate	26.53	23.42

	31 Dec 2011 US$	31 Dec 2010 US$
6. BALANCES WITH BANKS AND CASH		
Cash	2 281	37
Current accounts	168 251	(5 226)
Balances with banks and cash	**170 532**	**(5 189)**
7. ADVANCES		
Staff loans	322 781	76 631
	322 781	76 631

During the financial year, the Company borrowed funds from CBZ Bank for a period of 5 years at a rate of 10% per annum. These funds were used to provide vehicle loan financing over a 5 year period at a rate of 10% to qualifying staff members. The loans are secured by the vehicles and title remains with the Company until the loans are fully expunged.

	31 Dec 2011 US$	31 Dec 2010 US$
7.1 Maturity analysis		
Demand	-	-
Between 1 month and 3 months	-	-
Between 3 months and 1 year	74 442	76 631
Between 1 year and 5 years	248 339	-
	322 781	76 631

Maturity analysis is based on the remaining period from 31 December 2011 to contractual maturity.

	31 Dec 2011 US$	31 Dec 2010 US$
7.2 Loans to directors and employees		
Included in advances are loans to executive directors:-		
Opening balance	26 429	18 265
Advances made during the year	108 190	55 138
Impairment	(9 379)	-
Repayment during the year	(8 820)	(46 974)
Closing balance	116 420	26 429
Included in advances are loans to employees: -		
Opening balance	50 202	65 994
Advances made during the year	254 951	69 807
Impairment	(21 348)	(19 042)
Repayments during the year	(77 444)	(66 557)
Closing balance	206 361	50 202
8. OTHER ASSETS		
Prepayments	24 332	3 765
Management fees receivable	105 400	3 837
Sundry Debtors	3 200	12 978
	132 932	20 580
9. INVESTMENTS		
Listed investments	863 938	1 314 641
Portfolio analysis		
At fair value through profit and loss	863 938	1 314 641
10. INVESTMENT PROPERTY		
Opening balance	-	-
Additions	61 750	-
Closing balance	61 750	-

The carrying amount of the investment property is the fair value of the property as determined by a registered independent appraiser having an appropriate recognised professional qualification and recent experience in the location and category of the property being valued. The property was valued on the 1st of July 2011 at the date of purchase. No valuation was carried out at the financial year end as the market values of similar properties were determined to have not changed significantly. The valuation was in accordance with the Royal Institute of Chartered Surveyors Appraisal and Valuation Manual and the Real Estate Institute of Zimbabwe Standards.

The rental income derived from the investment property amounted to US$3 150 with direct operating expenses amount to US$594.

11. PROPERTY AND EQUIPMENT

	Motor Vehicles US$	Computer Equipment US$	Furniture & Fittings & Other Equipment US$	31 Dec 2011 US$	31 Dec 2010 US$
Cost					
Opening balance	141 700	31 761	64 629	238 090	277 078
Additions	-	27 350	15 418	42 768	29 008
Disposals	(111 700)	-	-	(111 700)	(67 996)
Closing balance	**30 000**	**59 111**	**80 047**	**169 158**	**238 090**
Accumulated depreciation					
Opening balance	45 398	18 907	29 774	94 079	57 799
Charge for the year	15 132	13 974	16 199	45 305	56 032
Disposals	(53 863)	-	-	(53 863)	(19 752)
Closing balance	**6 667**	**32 881**	**45 973**	**85 521**	**94 079**
Net book value	**23 333**	**26 230**	**34 074**	**83 637**	**144 011**

	31 Dec 2011 US$	31 Dec 2010 US$
12. INTANGIBLE ASSETS		
Computer Software		
At cost	340 357	20 803
Impairment	(19 022)	-
Accumulated amortisation	(1 781)	(1 781)
	319 554	**19 022**
Movement in intangible assets		
Opening balance	19 022	19 403
Additions	319 554	1 400
Impairment	(19 022)	-
Amortisation charge	-	(1 781)
Closing balance	**319 554**	**19 022**

13. DEFERRED TAXATION

The deferred tax included in the statement of financial position and changes recorded in the income tax expenses are as follows:

	31 Dec 2011 US$	31 Dec 2010 US$
Fair value adjustments	(69 755)	(64 390)
Prepayments	5 296	580
Property and equipment	62 322	(19 693)
Other	(988)	12 662
Total deferred tax (asset)/liability	**(3 125)**	**(70 841)**
Less: Assessed loss	(60 149)	(82 303)
Add: Opening balance	60 342	213 486
Closing balance	**(2 932)**	**60 342**
14. OTHER LIABILITIES		
Sundry creditors and accounts	51 165	61 157
Intercompany balances	486 950	122 481
	538 115	**183 638**