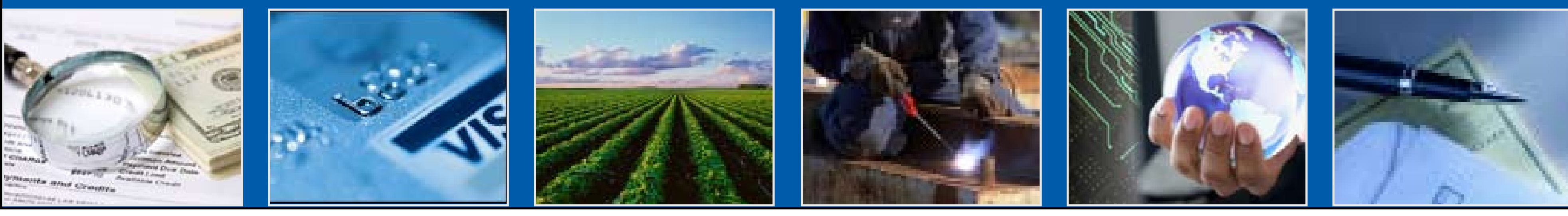
Unaudited Interim Results

As at 30 June 2010



CBZ HOLDINGS LIMITED

Chairman's Statement

L Zembe
CBZ Group Chairman

I take great pleasure in presenting the financial results of CBZ Holdings Limited and its subsidiaries ("the Group") for the half year ended 30 June 2010. Stakeholders' attention is brought to the recent business awards presented to the Group during the period:

- ***"Best Company Award in Banking" by the Zimbabwe Quoted Companies Survey 2010.***
- ***"Best SME Empowerment Organization of the Year 2009" from the Zimbabwe National Chamber of Commerce (ZNCC).***
- ***"Best Effective Enterpreneural Partnership Award" from the Young People Network of Zimbabwe.***

Financial highlights

Below are the highlights of the Group's performance for the half year and the comparative periods.

	6 months to 30-Jun-10 $m	6 months to 30-Jun-09 $m	12 months to 31-Dec-09 $m
Profit before taxation	$9.0	$5.4	$12.1
Profit after taxation	$6.4	$4.3	$8.1
Total Comprehensive income	$8.2	($17.6)	$16.1
Total Assets	$595.4	$256.4	$452.5
Total Shareholders' Funds	$71.4	$50.6	$63.2
Total Deposits	$472.4	$186.3	$360.8
Total Advances	$323.4	$85.7	$245.0
Other statistics			
Basic earnings per share	1.01c	0.74c	1.20c
Non interest income to total income	73%	77%	76%
Cost to income ratio	71%	59%	63%
Annualised return on assets	3%	4%	3%
Annualised return on equity	18%	17%	13%

Operating Environment

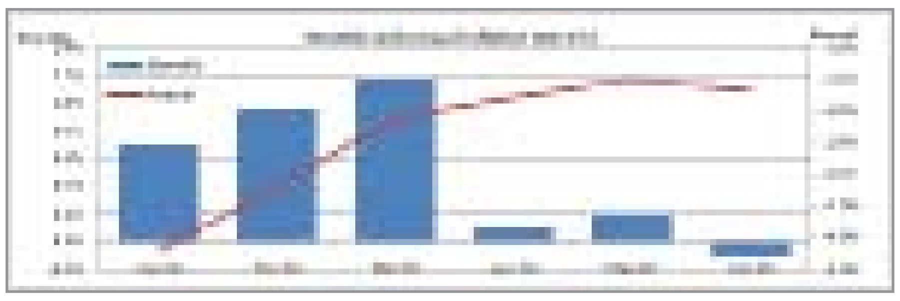
The implementation of sound macroeconomic policies in 2009 saw the return of predictive planning and a rise in business confidence. However, the second quarter of 2010 witnessed a decline in economic activity. This was largely due to a number of factors, chief among these being:

•lack of medium to long term financing which has constrained critical investment in infrastructure rehabilitation and maintenance;
•uncertainty regarding the implementation of the Indigenisation and Economic Empowerment Act Regulations and
•liquidity constraints obtaining in the economy as well as general insufficiency in the supply of utility services namely water and electricity.

The economy however registered a positive growth of 5.7% in 2009 and is forecast to continue on the growth path, driven largely by recovery in agriculture, mining, manufacturing and tourism.

Inflation

Inflation remained largely in positive territory during the first half of 2010 as annual inflation rose from -4.8% in January to reach a high of 6.1% in May before marginally decelerating to close at 5.3% in June. The rise in annual inflation was largely driven by the increase in the prices of food and alcoholic beverages, utility and rental prices as well as hotels and restaurants prices.



Monthly inflation, whose increases signify the presence of inflationary pressures in the economy, rose from 0.7% in January to 1.2% in March and thereafter remained close to zero percent up until June 2010.

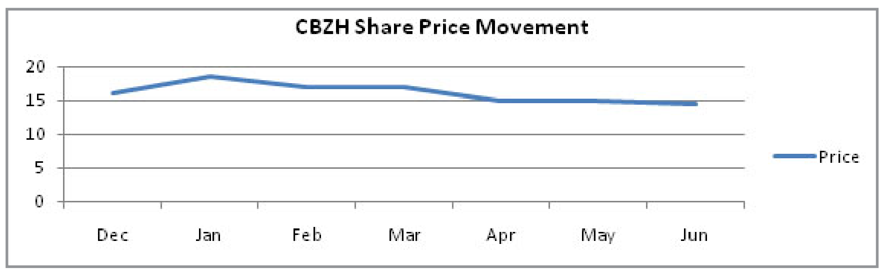
Unless efforts are relentlessly pursued to resolve production constraints weighing on local production capacity, inflation will continue to dent recovery efforts.

Capital market

On the backdrop of market liquidity constraints and the perceived country risk, activity on the stock market remained relatively subdued. Following the promulgation of the Indigenisation and Economic Empowerment Act Regulations in February 2010, activity on the market became bearish as investors took a wait and see attitude on the implementation of the regulations.

CBZ Holdings' stock opened the period under review at a price of US 16 cents, gained to a high of 20.1 cents before gradually declining to close the half year period at 14.5 cents.

The volume of the Company's traded shares remained relatively high in an illiquid and subdued market as a total of 21.3 million shares changed hands. The Company was ranked number 2 in terms of market capitalisation of financial institutions listed on the Zimbabwe Stock Exchange as at 30 June 2010.



Dividend

The Board decided to pass the declaration of an interim dividend for the half year to 30 June 2010. The need to re-invest profits and strengthening of the business underwriting capacity of the Group was persuasive in arriving at such a decision.

Outlook

Economic prospects of the country remain bright, with developments in key sectors of the economy and most notably mining, pointing towards a strong recovery. It is therefore imperative that the country work on improving the investment climate to attract positive net investment into such key sectors of the economy, to help unlock the supply side bottlenecks. This will help trigger the necessary multipliers and usher the economy onto a sustainable recovery path.

CBZ Holdings Limited remains committed to playing a pivotal financial intermediary role in the complex matrix of economic recovery.

Appreciation

I am greatly humbled by the commitment of the Boards of the Group companies, management and staff towards the shared common values and vision. Our treasured customers and other stakeholders remain our key focus as we take steps on the journey of continuous improvement of our products and services.

L. Zembe
Chairman
23 August 2010

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the half year ended 30 June 2010

	Note	June 2010 US$	June 2009 US$
Interest income	2.1	18 419 977	3 968 250
Interest expense	2.2	(9 011 051)	(696 218)
Net interest income		**9 408 926**	**3 272 032**
Non-interest income	3	24 759 710	11 093 867
Underwriting income	4	383 461	21 926
Total income		**34 552 097**	**14 387 825**
Operating expenditure	5	(24 440 710)	(8 485 757)
Net operating income		**10 111 387**	**5 902 068**
Charge for impairment losses on advances		(1 028 836)	(463 662)
Share of loss of associate		(38 548)	(23 586)
Profit before taxation		**9 044 003**	**5 414 820**
Taxation	6.1	(2 684 636)	(1 128 933)
Profit for the half year after tax		**6 359 367**	**4 285 887**
Other comprehensive income			
Gains/ (losses) on property revaluations		2 550 452	(25 684 588)
Fair value adjustment on available for sale financial instruments		(374 853)	-
Income tax relating to components of other comprehensive income	6.3	(294 591)	3 826 947
Other comprehensive income/(loss) for the half year net of tax		1 881 008	(21 857 641)
Total comprehensive income/(loss) for the half year		**8 240 375**	**(17 571 754)**
Profit attributable to:			
Equity holders of parent		6 339 633	4 294 826
Non controlling interests		19 734	(8 939)
		6 359 367	4 285 887
Total comprehensive income/(loss) attributable to:			
Equity holders of parent		8 220 641	(17 562 815)
Non controlling interests		19 734	(8 939)
		8 240 375	(17 571 754)
Earnings per share (cents)			
Basic		1.01	0.74
Fully diluted		1.01	0.74

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 30 June 2010

	Note	June 2010 US$	December 2009 US$
ASSETS			
Balances with banks and cash	9	151 021 537	132 146 742
Money market assets	10	3 327 668	2 374 291
Advances	11	323 350 257	244 951 876
Insurance assets	12	743 687	269 193
Other assets	13	41 271 771	3 456 078
Investments in equities	14	3 996 230	3 317 361
Investment in associate	14.1	(29 877)	8 671
Investment properties	16	20 776 750	10 590 692
Deferred tax asset	19	481 163	460 425
Property and equipment	15	50 296 175	54 727 602
Intangible assets	17	192 703	189 002
TOTAL ASSETS		**595 428 064**	**452 491 933**
LIABILITIES			
Deposits	20	472 421 604	360 827 098
Insurance liabilities	21	1 836 626	633 795
Other liabilities	22	42 974 548	20 575 656
Current tax payable		2 939 329	2 951 515
Deferred tax liability	18	3 768 242	4 256 529
TOTAL LIABILITIES		**523 940 349**	**389 244 593**
EQUITY AND RESERVES			
Share capital	23	6 841 445	-
Share premium	23.1	26 708 659	-
Treasury shares		(594 691)	(594 691)
Non distributable reserve	23.2	13 000 000	46 550 104
Revaluation reserve		9 992 212	7 740 164
Available for sale reserve		(149 940)	221 100
Revenue reserves	23.3	15 617 135	9 277 502
Equity and reserves attributable to equity holders of the parent		**71 414 820**	**63 194 179**
Non controlling interests	23.4	72 895	53 161
EQUITY & RESERVES		**71 487 715**	**63 247 340**
TOTAL LIABILITIES AND EQUITY AND RESERVES		**595 428 064**	**452 491 933**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the half year ended 30 June 2010

	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$
1 January 2009									
Recognition of opening balances	-	-	-	46 550 104	-	-	-	-	46 550 104
Total Comprehensive Income	-	-	-	-	-	-	4 294 826	(8 939)	4 285 887
Balance at 30 June 2009	-	-	-	46 550 104	-	-	4 294 826	(8 939)	50 835 991
2010									
Balance at 1 Jan 2010	-	-	(594 691)	46 550 104	7 740 164	221 100	9 277 502	53 161	63 247 340
Share capital redenomination	6 841 445	26 708 659	-	(33 550 104)	-	-	-	-	-
Total comprehensive income	-	-	-	-	2 252 048	(371 040)	6 339 633	19 734	8 240 375
Balance at 30 June 2010	6 841 445	26 708 659	(594 691)	13 000 000	9 992 212	(149 940)	15 617 135	72 895	71 487 715

CONSOLIDATED STATEMENT OF CASH FLOWS
for the half year ended 30 June 2010

	June 2010 US$	June 2009 US$
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	9 044 003	5 414 820
Non cash items:		
Depreciation	1 142 117	296 672
Fair value adjustment	(1 426 862)	(1 740 429)
Impairment on advances	1 028 836	463 662
Share of loss of associate	38 548	23 586
Unearned premium	430 593	283 517
Claims provision (IBNR)	9 134	3 460
Profit on sale of property and equipment	289 269	(5 833)
Operating profit before changes in operating assets and liabilities	10 555 638	4 739 455
Changes in operating assets and liabilities		
Deposits	111 594 506	122 612 463
Advances	(79 427 217)	(69 259 319)
Money market assets	(953 377)	-
Insurance assets	(914 221)	-
Insurance liabilities	1 202 831	-
Other assets	(37 815 694)	(3 976 141)
Other liabilities	22 398 892	8 116 591
	16 085 720	57 493 594
Corporate tax paid	(3 500 438)	(201 875)
Net cash inflow from operating activities	**23 140 920**	**62 031 174**
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investment property	(333 414)	-
Net change in investments	(1 493 355)	633 625
Proceeds on disposal of property and equipment	736 750	21 600
Purchase of property and equipment	(3 172 405)	(6 106 135)
Purchase of intangible assets	(3 701)	(7 450)
Net cash outflow from investing activities	(4 266 125)	(5 458 360)
NET INCREASE IN CASH AND CASH EQUIVALENTS	18 874 795	56 572 814
Cash and cash equivalents at the beginning of the period	132 146 742	50 202 285
Cash and cash equivalents at half year end	**151 021 537**	**106 775 099**

1. GROUP ACCOUNTING POLICIES

The accounting policies applied in the preperation of these financial statements are consistent with those applied in the annual financial statements for the year ended 31 December 2009.

These can be viewed on our website; www.cbz.co.zw

1.1 BASIS OF PREPARATION

Historical cost convention
The consolidated financial statements are prepared on the historical cost basis except for certain financial instruments and investment properties, which are stated at fair value and freehold land and buildings, which are stated at open market values.

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. 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 IFRS
The Group's interim financial statements for the half year ended 30 June 2010 have been prepared in accordance with the International Financial Reporting Standards ("IFRS"), except for the effects of non compliance with International Accounting Standard ("IAS") 21, "The Effects of Changes in Foreign Exchange Rates" and IAS 29 "Financial Reporting in Hyperinflationary Economies" during the year ended 31 December 2009.

Compliance with legal and regulatory requirements
These financial statements have been properly prepared in accordance with the accounting policies set out below, and comply with the disclosure requirements of the Companies Act (Chapter 24:03) and the relevant Statutory Instruments.

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. Kindly refer to our website for a detailed analysis of the significant accounting estimates and judgements.

Notes to the Consolidated Financial Statements
for the half year ended 30 June 2010

1.INCORPORATION AND ACTIVITIES

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

2.INTEREST

	June 2010 US$	June 2009 US$
2.1 Interest income		
Bankers acceptances	8 764	-
Overdrafts	8 505 772	335 132
Loans	9 186 361	3 614 240
Mortgage Interest	80 853	-
Staff loans	355 040	18 684
	18 136 790	**3 968 056**
Short-term market assets	277 615	194
Other Investments	5 572	-
	18 419 977	**3 968 250**
2.2 Interest expense		
Savings	1 595 952	255 116
Money market deposits	6 033 196	120 185
Foreign currency deposits	1 381 903	320 917
	9 011 051	**696 218**

3.NON-INTEREST INCOME

	June 2010 US$	June 2009 US$
Net income from trading securities	80 143	191 956
Fair value adjustments on financial instruments	(439 633)	1 740 427
Fair value adjustments on Investment properties	1 866 495	
Net income from foreign currency dealings	359 701	83 116
Commission and fee income	15 980 758	8 075 017
(Loss)/profit on sale of assets	(289 269)	5 833
Other operating income	7 201 515	997 518
	24 759 710	**11 093 867**

4. UNDERWRITING INCOME

	June 2010 US$	June 2009 US$
Gross premium insurance	1 960 464	371 153
Reinsurance	(1 013 414)	(301 952)
Net written premium	947 050	69 201
Unearned premium	(485 247)	(39 005)
Net earned premium	461 803	30 196
Net commission	7 300	(4 615)
Net claims	(85 642)	(3 655)
	383 461	21 926

5. OPERATING EXPENDITURE

	June 2010 US$	June 2009 US$
Staff costs	12 853 636	4 021 047
Administration expenses	9 979 890	4 093 162
Audit fees	465 067	74 876
Depreciation	1 142 117	296 672
	24 440 710	**8 485 757**
Directors remuneration (included in staff costs)		
Fees for services as directors	28 742	-
Pension for past and present directors	17 154	18 789
Salaries and other benefits	173 431	-
	219 327	**18 789**

The following is an analysis of expenses related to operating leases;
Non-cancellable lease rentals are paid as follows;

	June 2010 US$	June 2009 US$
Less than 1 year	58 424	-
Between 1 and 5 years	28 014	-
More than 5 years	308 114	-
	394 552	**-**

The Group leases a number of branches under operating lease. These typically run for a period less than five years with an option to renew the lease after that date.

During the half year ended 30 June 2010, an amount of $ 127 481 was recognised as rent expense in the statement of comprehensive income.

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 full liability method.

6.1 Analysis of tax charge in respect of the profit for the period

	June 2010 US$	June 2009 US$
Current income tax	3 488 252	592 781
Deferred income tax	(803 616)	536 152
Income tax expense	2 684 636	1 128 933

6.2 Tax rate reconciliation	%	%
Notional Tax	25.00	30.00
Bank levy	-	5.00
Aids levy	0.75	0.90
Permanent differences	3.93	(15.05)
Effective rate	**29.68**	**20.85**

6.3 Income tax relating to components of other comprehensive income		
Gross revaluation adjustment	2 550 452	(25 684 588)
Tax (expense)/credit	(298 405)	3 826 947
Net revaluation adjustment	**2 252 047**	**(21 857 641)**
Gross fair value adjustment on		
Available for sale financial instruments	(374 853)	-
Tax credit	3 814	-
Net fair value adjustment on available for sale financial instruments	**(371 039)**	**-**

7. EARNINGS PER SHARE (EPS)

Basic earnings per share amounts are calculated by dividing net profit for the period 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 period plus the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares.

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

	June 2010 US$	June 2009 US$
7.1 Earnings		
Basic earnings	6 339 632	4 285 887
Fully diluted earnings	6 339 632	4 276 205
7.2 Reconciliation of denominators used for calculating basic and diluted eanings per share:		
Basic earnings per share (weighted) before adjustment for treasury shares	684 144 546	684 144 546
Less: Treasury shares held	(59 469 100)	(66 837 400)
Weighted number of shares used for basic EPS	624 675 446	617 307 146
Potentially dilutive shares	-	-
Weighted number of shares used for diluted EPS	**624 675 446**	**617 307 146**
7.3 Reconciliation of numerators used for calculating basic and diluted earnings per share:		
Basic earnings	6 339 632	4 285 887
Effects of potentially dilutive transactions	-	(9 682)
Diluted earnings	**6 339 632**	**4 276 205**

8. DIVIDENDS PAID AND PROPOSED

	June 2010 US$	June 2009 US$
Interim dividend	-	-

9. BALANCES WITH BANKS AND CASH

	June 2010 US$	December 2009 US$
Balance with the Reserve Bank of Zimbabwe	90 630 493	41 976 854
Statutory Reserve	9 131 568	9 068 915
Current accounts	81 498 925	32 907 939
Balances with other banks and cash	60 391 044	90 169 888
Cash foreign	28 560 739	43 667 825
Nostro accounts	31 828 478	46 479 112
Interbank clearing accounts	1 827	22 951
	151 021 537	**132 146 742**

10. MONEY MARKET ASSETS

	June 2010 US$	December 2009 US$
Call Placements	3 295 799	-
Other bills	-	2 329 000
Accrued interest	31 869	45 291
	3 327 668	**2 374 291**
Money market Portfolio analysis		
Held for trading portfolio	3 327 668	2 374 291
Demand		
Between 1 and 3 months	3 327 668	2 323 604
Between 3 months and 1 year	-	50 687
	3 327 668	**2 374 291**
10.1 Financial assets held for trading		
Trading bills	**3 327 668**	**2 374 291**
Bills issued by government	3 327 668	2 374 291
Maturity value	3 334 860	2 374 291
Book Value	3 327 668	2 454 692
10.2 Financial assets at fair value through profit and loss		
Financial assets held for trading	3 327 668	2 374 291
Financial assets designed at fair value through profit or loss	-	-
	3 327 668	**2 374 291**

11.ADVANCES

	June 2010 US$	December 2009 US$
Bankers acceptances	-	729 000
Overdrafts	205 928 954	127 021 912
Loans	87 761 262	116 692 706
Mortgage advances	26 257 892	1 858 395
Lease finance	3 249 697	-
	323 197 805	**246 302 013**
Interest accrued	4 524 973	2 119 327
Total gross advances	**327 722 778**	**248 421 340**
Impairment	(4 372 521)	(3 469 464)
	323 350 257	**244 951 876**
Sectorial analysis		
Private	27 689 031	15 029 539
Agriculture	98 716 822	62 845 149
Mining	1 267 155	3 399 512
Manufacturing	41 759 501	36 655 674
Distribution	100 251 104	91 490 329
Construction	7 120 541	8 990 437
Transport	11 499 682	7 601 949
Communication	5 064 771	5 000 000
Services	31 856 560	13 861 856
Financial Organisations	2 497 611	3 546 895
	327 722 778	**248 421 340**
11.2 Maturity analysis		
Demand	209 175 536	122 115 123
Within one month	128 229	6 864 800
Between 1 and 3 months	52 775 377	31 908 427
Between 3 and six months	34 652 491	43 682 703
Between 6 and 1 year	2 958 234	38 758 097
Between 1 and 5 years	28 032 911	5 092 190
	327 722 778	248 421 340

Maturity analysis is based on the remaining period from 30 June 2010 to contractual maturity.

11.3 Loans to directors and employees

	June 2010 US$	December 2009 US$
Loans to directors		
Included in advances are loans to executive directors:-		
Balance at beginning of period	1 363 123	-
Advances made during the period	1 142 344	2 894 035
Repayment during the period	(257 867)	(1 530 912)
Balance at end of the period	**2 247 600**	**1 363 123**
Loans to employees		
Included in advances are loans to employees: -		
Balance at beginning of period	4 448 525	-
Advances made during the period	15 436 491	7 972 211
Repayments during the period	(777 927)	(3 523 686)
Balance for the period	**19 107 089**	**4 448 525**
11.4 Non performing advances		
Total advances on which interest is suspended	548 195	2 842 377
11.5 Impairment of advances		
Balance at the beginning of the period	3 469 464	80 123
Charge for impairment loss	1 028 836	3 389 341
Suspended interest	(125 779)	-
Balance at the end of the period	**4 372 521**	**3 469 464**
Comprising:		
Specific impairments	318 314	208 533
Portfolio impairments	4 054 207	3 260 931
	4 372 521	**3 469 464**
11.6 Collaterals		
Notarial General Bonds	1 985 141	-
Mortgage bonds	115 633 400	246 776 000
Other	194 394 757	31 438 469
	312 013 298	**278 214 469**

12. INSURANCE ASSETS

	June 2010 US$	December 2009 US$
Reinsurance receivables	627 268	227 358
Deferred acquisition costs	116 419	41 835
	743 687	**269 193**

13. OTHER ASSETS

	June 2010 US$	December 2009 US$
Miscellaneous assets	40 683 818	3 350 367
Prepayments and deposits	587 953	105 711
	41 271 771	**3 456 078**

14. INVESTMENTS IN EQUITIES

	June 2010 US$	December 2009 US$
Listed investments	1 991 394	3 154 316
Unlisted investments	2 004 836	163 045
	3 996 230	**3 317 361**
At cost	3 334 528	3 317 361
At fair value	661 702	-
	3 996 230	**3 317 361**
Portfolio analysis		
Trading	3 839 384	-
Available for sale	156 846	3 317 361
	3 996 230	**3 317 361**

	June 2010 US$	December 2009 US$
14.1 Investment in Associate Company		
Opening balance	8 671	43 280
Share of loss for the period	(38 548)	(34 609)
Closing balance	**(29 877)**	**8 671**

CBZ Holdings has a 38.4% shareholding in Transcontinental Equity Growth Fund (Pvt) Limited.

	June 2010 US$	December 2009 US$
Associate's net asset position		
Total assets	114 138	227 006
Total liabilities	(248 574)	(204 458)
Net (liabilities)/assets	**(134 436)**	**22 548**
Associate's performance for the period		
Revenue	44 235	-
Operating expenditure	(144 620)	(154 726)
Operating (loss)	(100 385)	(154 726)
Taxation	-	-
Loss for the period	**(100 385)**	**(154 726)**

14.2 Investment in Subsidiaries

	June 2010		December 2009
CBZ Bank Limited	40 991 352	100%	40 991 352
CBZ Asset Management Company (Private) Limited	1 038 430	100%	538 567
Optimal Insurance Company (Private) Limited	374 579	58.5%	374 579
CBZ Properties (Private) Limited	61 355	100%	4 779 144
CBZ Life Insurance	1 129 649	100%	89 950
	43 595 365		**46 773 592**

15. PROPERTY AND EQUIPMENT

Cost	Land US$	Buildings US$	Leasehold US$	Motor Vehicles US$	Computers US$	WIP US$	Total US$
Opening balance	10 815 748	31 594 009	352 971	1 488 725	7 673 093	4 517 959	56 442 505
Revaluation Reserve	653 895	1 092 394	-	-	-	-	1 746 289
Additions	-	679 510	13 578	532 910	1 580 028	366 379	3 172 405
Disposals	-	-	-	(18 000)	(26 877)	(985 688)	(1 030 565)
Transfers	(7 986 149)	370 194	16 516	-	(16 516)	(370 194)	(7 986 149)
Closing balance	3 483 494	33 736 107	383 065	2 003 635	9 209 728	3 528 456	52 344 485
Accumulated depreciation							
Opening balance	-	512 514	29 753	207 095	965 541	-	1 714 903
Charge for the year	-	291 649	6 536	130 798	713 134	-	1 142 117
Disposals	-	-	-		(4 547)	-	(4 547)
Revaluation	-	(804 163)	-	-	-	-	(804 163)
	-	-	36 289	337 893	1 674 128	-	2 048 310
Closing balance	3 483 494	33 736 107	346 776	1 665 742	7 535 600	3 528 456	50 296 175

Properties were revalued on an open market basis by an independent professional valuer (Mabikacheche and associates) as at 30 June 2010 in accordance with the Royal Institute of Chartered Surveyors Appraisal and Valuation manual and the Real Estate Institute of Zimbabwe Standards.

In determining the market values of the subject properties, the following was considered:

- Comparable market evidence which comprised complete transactions as well as transactions where offers had been made but the transaction had not been finalised.
- Professional judgement was exercised to take cognisance of the fact that properties in the transaction were not exactly comparable in terms of size, quality and location to the properties owned by the Group.
- The reasonableness of the market values of commercial properties so determined, per above bullet was assessed by reference to the properties in the transactions.
- The values per square metre of lettable spaces for both the subject properties and comparables were analysed.
- With regards to the market values for residential properties, the comparison method was used. This method entails carrying out a valuation by directly comparing the subject property, which has been sold or rented out. The procedure was performed as follows:
  - Surveys and data collection on similar past transactions.
  - Analysis of the collected data.
  - Comparison of the analysis with the subject properties and then carrying out the valuation of the subject properties. Adjustments were made to the following aspects:
  - Age of property – state of repair and maintenance
  - Aesthetic quality – quality of fixtures and fittings
  - Structural condition – location
  - Accommodation offered – size of land

The maximum useful lives are as follows:

-Buildings	25- 40 years
-Motor vehicles	3 – 5 years
-Leasehold improvements	10 years
-Computer equipment	5 years
-Furniture and fittings	10 years

The carrying amount of buildings would have been $24 520 269 had they been carried at cost.

Property and equipment was tested for impairment by comparing the carrying amounts against open market values determined by independent valuers. No impairment was identified from the test.

	June 2010 US$	December 2009 US$
16. INVESTMENT PROPERTIES		
Opening balance	10 590 692	7 764 404
Additions	333 414	339 500
Transfer from property and equipment	7 986 149	-
Fair valuation gain	1 866 495	2 486 788
Closing balance	**20 776 750**	**10 590 692**

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 Estate 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 basis of valuation is consistent with that detailed in note 15.

The rental income derived from investments properties amounted to US$300 369 with direct operating expenses amounting to US$ 60 251.

	June 2010 US$	December 2009 US$
17. INTANGIBLE ASSETS		
Computer software		
Opening balance	189 002	9 952
Additions	3 701	179 050
Closing balance	**192 703**	**189 002**

Acquisition costs on the intangible assets were still being incurred as at 30 June 2010. Amortisation shall commence when the asset is available for use, ie when it is in the location and condition necessary for it to be capable of operating in the manner intended by management.

18. DEFERRED TAX LIABILITY

Deferred tax related to items charged or credited to equity (statement of comprehensive income) during the period is as follows:

	June 2010 US$	December 2009 US$
Revaluation of property and equipment	298 405	1 016 363
Fair value adjustment – available for sale financial assets	(3 814)	2 300
	294 591	**1 018 663**

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

	June 2010	December 2009
Fair value adjustments	8 343	(16 263)
Impairment allowance	(502 379)	-
Prepayments	1 550	388
Property and equipment	287 392	(19 223)
Other	(577 784)	(11 764)
	(782 878)	**(46 862)**
Add:		
Opening balance	4 256 529	3 284 728
Closing balance	**3 768 242**	**4 256 529**

19. DEFERRED TAX ASSET

	June 2010	December 2009
Opening balance	460 425	32 184
Arising from estimated losses	-	428 241
Arising from impairment of investments	20 738	-
Closing balance	**481 163**	**460 425**

20. DEPOSITS

	June 2010	December 2009
Call deposits	1 458	-
Savings and other deposits	433 863 414	320 495 658
Money market deposits	34 509 249	38 850 290
Accrued interest	4 047 483	1 481 150
	472 421 604	**360 827 098**
20.1 Deposits by source		
Banks	124 800 611	500 000
Money market	187 125 216	36 861 202
Customers	160 495 777	323 465 896
	472 421 604	**360 827 098**
20.2 Portfolio analysis of deposits		
Financial liabilities at amortised costs	472 421 604	360 827 098
Sectoral Analysis		
Private	65 864 188	63 059 535
Agriculture	14 552 049	9 397 874
Mining	2 851 352	2 204 886
Manufacturing	16 723 612	57 399 323
Distribution	65 445 267	9 506 311
Construction	4 534 117	3 506 130
Transport	7 385 469	5 711 016
Communication	27 966 072	24 579 055
Services	190 626 895	136 226 933
Financial organisations	55 520 199	43 708 099
Financial and investments	20 952 384	5 527 936
	472 421 604	**360 827 098**
Maturity analysis		
Repayable on demand	273 262 159	287 578 987
Within 1 month	139 527 748	720 794
Between 1 and 3 months	46 067 768	34 629 496
Between 3 months and 1 year	13 563 929	37 897 821
	472 421 604	**360 827 098**

Maturity analysis is based on the remaining period from 30 June 2010 to contractual maturity.

Securities with a maturity value of $ 8 932 290 were placed with RBZ for securing deposits. Deposits are exposed to fair value interest risk.

	June 2010 US$	December 2009 US$
21. INSURANCE LIABILITIES		
Reinsurance payables	506 973	234 618
Gross outstanding claims	77 469	45 530
Gross unearned premium reserve	1 127 758	306 747
Deferred reinsurance acquisition revenue	124 426	46 900
	1 836 626	**633 795**

21.1Insurance contract provisions

21.1 (a) Provision for unearned premiums

	Gross US$	Reinsurance US$	Net US$
Unearned premiums at 1 January 2010	306 747	204 738	102 009
Written premiums	1 960 464	1 013 414	947 050
Premiums earned during the period	(1 139 453)	(677 650)	(461 803)
Unearned premiums at 30 June 2010	**1 127 758**	**540 502**	**587 256**
Outstanding claims provision			
Outstanding claims at 1 January 2010	10 686	5 212	5 474
Claims incurred	151 128	74 619	76 509
Incurred but not yet reported claims provision	43 978	-	43 978
Claims receivable	(128 323)	(6 935)	(121 388)
Outstanding claims at 30 June 2010	**77 469**	**72 896**	**4 573**
	1 205 227	**613 398**	**591 829**

21.1 (b) Commissions

	Unearned Commission US$	Deferred acquisition costs US$	Net US$
Unearned at 1 January 2010	46 901	41 835	5 066
Written premiums	225 125	214 884	10 241
Earned during the year	(147 600)	(140 300)	(7 300)
Unearned at 30 June 2010	**124 426**	**116 419**	**8 007**

	June 2010 US$	December 2009 US$
21.1 (c) Reinsurance payables		
Reinsurance payables at 1 January 2010	234 617	-
Premiums ceded during the period	1 013 414	635 023
Reinsurance paid	(741 059)	(400 406)
Reinsurance payables at 30 June 2010	**506 972**	**234 617**
21.1 (d) Net claims		
Gross claims incurred	151 128	176 211
Reinsurance claims	(74 619)	(155 460)
Incurred but not yet reported claims	9 133	34 844
Gross outstanding claims	-	10 686
Reinsurance share of outstanding claims	-	(5 212)
	85 642	**61 069**
21.1 (e) Net commissions		
Commission received	225 125	135 500
Commission paid	(214 883)	(88 147)
Deferred acquisition costs	(2 942)	18 967
Net commission	**7 300**	**66 320**
22.OTHER LIABILITIES		
Sundry payables	42 974 548	20 575 656
23. SHARE CAPITAL		
Authorised		
1 000 000 000 ordinary shares	10 000 000	-
Issued and fully paid		
684 144 546 ordinary shares of 1 cent each	6 841 445	-
23.1Share Premium		
Opening balance	-	-
Share capital redenomination	26 708 659	-
Closing balance	**26 708 659**	**-**
23.2 Non Distributable Reserve		
Opening balance	46 550 104	46 550 104
Share capital redenomination	(33 550 104)	-
Closing balance	**13 000 000**	**46 550 104**
23.3 Revenue Reserve		
Revenue reserves comprise:		
Holding company `	(1 373 649)	9 752 785
Subsidiary companies	16 990 784	(475 283)
	15 617 135	**9 277 502**
23.4 Non controlling Interests		
Non Controlling Interests comprise:		
Shares in subsidiary companies	53 161	107 415
Share of revenue reserve	19 734	(54 254)
	72 895	**53 161**

24. 1 Liquidity profiling as at 30 June 2010

Assets	Demand US$	Up to 1 month US$	1 to 3 months US$	3 months to 1 year US$	1 year to 5 years US$	Total US$
Loans and advances	206 229 687	128 229	52 105 406	34 932 787	29 954 148	323 350 257
Cash and bank balances	151 021 537	-	-	-	-	151 021 537
Investment in equities	-	-	-	-	-	-
Money market assets	-	-	3 327 668	-	-	3 327 668
Financial guarantees	-	-	-	-	3 752 918	3 752 918
Total	**357 251 224**	**128 229**	**55 433 074**	**34 932 787**	**33 707 066**	**481 452 380**
Liabilities						
Deposits	273 262 159	135 670 090	49 925 426	13 563 929	-	472 421 604
Current income tax	-	-	-	2 939 329	-	2 939 329
Other liabilities	-	-	-	42 974 548	-	42 974 548
Financial guarantees	-	-	-	-	3 752 918	3 752 918
Total	**273 262 159**	**135 670 090**	**49 925 426**	**59 477 806**	**3 752 918**	**522 088 399**
Liquidity gap	83 989 065	(135 541 861)	5 507 648	(24 545 019)	29 954 148	(40 636 019)
Cumulative liquidity gap	83 989 065	(51 552 796)	(46 045 148)	(70 590 167)	(40 636 019)	(40 636 019)

December 2009 Assets	Demand US$	Up to 1 month US$	1 to 3 months US$	3 months to 1 year US$	1 year to 5 years US$	Total US$
Loans and advances	118 730 975	6 864 800	31 823 111	82 356 542	5 176 448	244 951 876
Cash and bank balances	132 146 742	-	-	-	-	132 146 742
Investment in equities	-	-	-	-	3 317 361	3 317 361
Money market assets	-	-	2 374 291	-	-	2 374 291
Financial guarantees	-	-	-	-	63 632 195	63 632 195
Total	**250 877 717**	**6 864 800**	**34 197 402**	**82 356 542**	**72 126 004**	**446 422 465**
Liabilities						
Deposits	289 568 075	720 794	32 640 408	37 897 821	-	360 827 098
Current income tax	-	-	2 951 515	-	-	2 951 515
Other liabilities	-	-	-	20 575 656	-	20 575 656
Financial guarantees	-	-	-	-	63 632 195	63 632 195
Total	**289 568 075**	**720 794**	**35 591 923**	**58 473 477**	**63 632 195**	**447 986 464**
Liquidity gap	(38 690 358)	6 144 006	(1 394 521)	23 883 065	8 493 809	(1 563 999)
Cumulative liquidity gap	(38 690 358)	(32 546 352)	(33 940 873)	(10 057 808)	(1 563 999)	(1563 999)

December 2009

The table above shows the undiscounted cash flows on the Group's non-derivative financial assets and liabilities, including issued financial guarantee contracts, and unrecognised loan commitments on the basis of their earliest possible contractual maturity. For issued financial guarantee contracts, the maximum amount of the guarantee is allocated to the earliest period in which the guarantee could be called. The Group's expected cash flows on these instruments may vary from this analysis. For example, demand deposits from customers are expected to maintain a stable or increasing balance and unrecognised loan commitments are not all expected to be drawn down immediately.

The Group carries out static statement of financial position analysis to track statement of financial position growth drivers, statement of financial position structure, levels and direction of the Group's maturity mismatch and related funding or liquidity gap and Asset and Liability Management Committee (ALCO) comes up with strategies through its monthly meetings to manage these liquidity gaps through new advances and time deposits.

The key measure used by the Group for managing liquidity risk is the ratio of net liquid assets to public liabilities. For this purpose net liquid assets are considered as including cash and cash equivalents and investment grade debt securities for which there is an active and liquid market less any deposits from banks, debts securities issued, other borrowings and commitments maturing within the next month.

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

	CBZ Bank %
At 31 December 2009	37
At 30 June 2010	33
Average for the period	34
Maximum for the period	39
Minimum for the period	28

24. 2. Interest rate repricing

June 2010

Assets	Demand US$	Up to 1 month US$	1 to 3 months US$	3 months to 1 year US$	1 year to 5 years US$	Non interest bearing US$	Total US$
Balance with banks and cash	151 021 537	-	-	-	-	-	151 021 537
Money market assets	-	3 857 658	(529 990)	-	-	-	3 327 668
Advances	206 229 687	128 229	52 105 406	34 932 786	29 954 149	-	323 350 257
Technical liabilities	-	-	-	743 687	-	-	743 687
Other assets	-	-	-	-	-	41 271 771	41 271 771
Investments	-	-	-	-	650	3 995 580	3 996 230
Investments in associate	-	-	-	-	-	(29 877)	(29 877)
Investment properties	-	-	-	-	-	20 776 750	20 776 750
Property and equipment	-	-	-	-	-	50 296 175	50 296 175
Deferred taxation	-	-	-	-	-	481 163	481 163
Intangible assets	-	-	-	-	-	192 703	192 703
Total assets	**357 251 224**	**3 985 887**	**51 575 416**	**35 676 473**	**29 954 799**	**116 984 265**	**595 428 064**
Liabilities, equity and reserves							
Deposits	269 165 199	139 527 749	50 164 727	13 563 929	-	-	472 421 604
Technical liabilities	-	-	-	1 836 626	-	-	1 836 626
Other liabilities	-	-	-	-	-	42 974 548	42 974 548
Deferred taxation	-	-	-	-	-	3 768 242	3 768 242
Current tax payable	-	-	2 939 329	-	-	-	2 939 329
Equity and reserves	-	-	-	-	-	71 487 715	71 487 715
Total equity and liabilities	**269 165 199**	**139 527 749**	**53 104 056**	**15 400 555**	**-**	**118 230 505**	**595 428 064**
Interest rate repricing gap	88 086 025	(135 541 862)	(1 528 640)	20 275 918	29 954 799	(1 246 240)	-
Cumulative gap	88 086 025	(47 455 837)	(48 984 477)	(28 708 559)	1 246 240	-	-

December 2009

Assets	Demand US$	Up to 1 month US$	1 to 3 months US$	3 months to 1 year US$	1 year to 5 years US$	Non interest bearing US$	Total US$
Balances with bank	132 146 742	-	-	-	-	-	132 146 742
Money market assets	-	-	2 374 291	-	-	-	2 374 291
Advances	118 815 233	6 864 800	31 823 111	82 356 543	5 092 189	-	244 951 876
Technical assets	-	-	-	-	-	269 193	269 193
Other assets	-	-	-	-	-	3 456 078	3 456 078
Investments	-	-	-	-	-	3 317 361	3 317 361
Investments in associate	-	-	-	-	-	8 671	8 671
Investment properties	-	-	-	-	-	10 590 692	10 590 692
Property and equipment	-	-	-	-	-	54 727 602	54 727 602
Deferred taxation	-	-	-	-	-	460 425	460 425
Intangible assets	-	-	-	-	-	189 002	189 002
Total assets	**250 961 975**	**6 864 800**	**34 197 402**	**82 356 543**	**5 092 189**	**73 019 024**	**452 491 933**
Liabilities, equity and reserves							
Deposits	287 578 987	720 794	34 680 182	37 847 135	-	-	360 827 098
Technical liabilities	-	-	-	-	-	633 795	633 795
Other liabilities	-	-	-	-	-	20 575 656	20 575 656
Deferred taxation	-	-	-	-	-	4 256 529	4 256 529
Current tax payable	-	-	2 951 515	-	-	-	2 951 515
Equity and reserves	-	-	-	-	-	63 247 340	63 247 340
Total equity and liabilities	**287 578 987**	**720 794**	**37 631 697**	**37 847 135**	**-**	**88 713 320**	**452 491 933**
Interest rate repricing gap	(36 617 012)	6 144 006	(3 434 295)	44 509 408	5 092 189	(15 694 296)	-
Cumulative gap	(36 617 012)	(30 473 006)	(33 907 301)	10 602 107	15 694 296	-	-

The management of interest rate risk against interest rate gap limits is supplemented by monitoring the sensitivity of the Group's financial assets and liabilities to various standard and non-standard interest rate scenarios.

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
Position expressed in US$

30 JUNE 2010

	Total	USD	ZAR	GBP	Other foreign currencies
Assets					
Balances with banks and cash	151 021 537	125 815 354	18 352 082	3 509 287	3 344 814
Money market assets	3 327 668	1 385 412	1 524 882	-	417 374
Advances	323 350 257	319 860 720	2 434 908	393	1 054 236
Insurance assets	743 687	743 687	-	-	-
Other assets	41 271 771	40 902 173	(10 075)	284	379 389
Investments in equities	3 996 230	3 891 510	-	-	104 720
Investments in associate	(29 877)	(29 877)	-	-	-
Investment properties	20 776 750	20 776 750	-	-	-
Property and equipment	50 296 175	50 296 175	-	-	-
Deferred taxation	481 163	481 163	-	-	-
Intangible assets	192 703	192 703	-	-	-
TOTAL ASSETS	**595 428 064**	**564 315 770**	**22 301 797**	**3 509 964**	**5 300 533**
Liabilities and equity & reserves					
Deposits	472 421 604	444 939 656	22 909 333	2 060 226	2 512 389
Insurance liabilities	1 836 626	1 836 626	-	-	-
Other liabilities	42 974 548	42 925 819	9 539	39 008	182
Current tax payable	2 939 329	2 939 329	-	-	-
Deferred taxation	3 768 242	3 768 242	-	-	-
Equity and reserves	71 487 715	71 487 715	-	-	-
TOTAL LIABILITIES AND EQUITY	**595 428 064**	**567 897 387**	**22 918 872**	**2 099 234**	**2 512 571**

31 December 2009

	Total	USD	ZAR	GBP	Other foreign currencies
Assets					
Balances with banks and cash	132 146 742	120 479 982	2 829 759	5 956 202	2 880 799
Money market assets	2 374 291	2 374 291	-	-	-
Advances	244 951 876	244 817 188	133 257	547	884
Insurance assets	269 193	269 193	-	-	-
Other assets	3 456 078	3 376 260	12 100	(998)	68 716
Investments	3 317 361	3 317 361	-	-	-
Investment properties	10 590 692	10 590 692	-	-	-
Investment in associate	8 671	8 671	-	-	-
Property and equipment	54 727 602	54 727 602	-	-	-
Deferred taxation	460 425	460 425	-	-	-
Intangible assets	189 002	189 002	-	-	-
TOTAL ASSETS	**452 491 933**	**440 610 667**	**2 975 116**	**5 955 751**	**2 950 399**
Liabilities and equity & reserves					
Deposits	360 827 098	354 398 546	2 396 758	2 441 947	1 589 847
Insurance liabilities	633 795	633 795		-	-
Other liabilities	20 575 656	20 540 778	-	34 704	174
Current taxation	2 951 515	2 951 515			
Deferred taxation	4 256 529	4 256 529	-	-	-
Equity and reserves	63 247 340	63 247 340	-	-	-
TOTAL LIABILITIES AND EQUITY	**452 491 933**	**446 028 503**	**2 396 758**	**2 476 651**	**1 590 021**

Underlying currency (in US$)

	ZAR	GBP	Other foreign currencies
Assets			
Cash and short term assets	140 073 889	2 332 962	3 345 726
Advances	3 662 590	261	1 054 235
Other assets	(76 921)	189	379 388
Total assets	**143 659 558**	**2 333 412**	**4 779 349**
Liabilities			
Deposits	174 910 467	1 369 649	2 512 389
Other liabilities	168 272	25 933	182
Total liabilities	175 078 739	1 395 582	2 512 571
Net position	**(31 419 181)**	**937 830**	**2 266 778**

Foreign Currency position as at 31 December 2009

Underlying Currency

	ZAR	GBP	Other foreign currencies
Assets			
Cash and short term assets	20 911 917	3 722 626	2 880 799
Advances	984 766	342	884
Investments	89 416	(624)	68 716
Total assets	**21 986 099**	**3 722 344**	**2 950 399**
Liabilities			
Deposits	17 712 038	1 526 217	1 589 847
Other liabilities	-	21 690	174
Total liabilities	**17 712 038**	**1 547 907**	**1 590 021**
Net position	**4 274 061**	**2 174 437**	**1 360 378**

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

	June 2010 US$	December 2009 US$
Contingent liabilities		
Guarantees	3 752 918	63 632 195
Irrevocable letters of credit	-	-
	3 752 918	**63 632 195**
Capital commitments		
Authorised and contracted for	195 560	46 719
Authorised but not contracted for	7 799	-
	203 359	**46 719**

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

27. FUNDS UNDER MANAGEMENT

	June 2010	December 2009
Pensions	48 126 949	54 969 242
Private	10 514 228	13 723 066
Unit trusts	394 326	518 221
Money market	2 800 000	934 388
	61 835 503	**70 144 917**

28. OPERATING SEGMENTS

The Group is comprised of the following operating units;
Commercial Banking
Asset Management
Short term insurance
Property Investment
Other operations

The following tables present revenue and profit information regarding the Group`s operating segments for the half year ended 30 June 2010 .

28.1 Segment operational results

30 June 2010

Income	Commercial Banking US$	Asset Management US$	Short term Insurance US$	Property Investment US$	Other Operations US$	Consolidated US$
Income from external customers	33 828 149	349 597	462 530	370 347	(238 276)	34 772 347
Elimination of Inter segment revenue						(220 250)
Total Income						**34 552 097**
Depreciation	1 070 458	28 471	29 923	-	13 265	1 142 117
Results						
Profit before taxation	10 758 335	(404 910)	139 846	332 061	(1 522 531)	9 302 801
Elimination of inter segment profit						(220 250)
Share of associate loss						(38 548)
Profit before taxation						**9 044 003**
Other material non cash items						
Impairment of assets(incl loan loss provision	(1 028 836)	-	-	-	-	(1 028 836)
Reportable segment liabilities	584 626 056	1 625 400	2 831 007	10 528 165	(4 182 564)	595 428 064

	June 2010 US$	December 2009 US$
28.2 Total segment assets		
Commercial Banking	584 626 056	405 183 602
Mortgage financing	-	33 373 943
Asset Management	1 625 400	1 490 623
Short term insurance	2 831 007	1 130 180
Property Investment	10 528 165	10 140 281
Total Segment Assets	599 610 628	451 318 629
Other operations	(4 182 564)	1 173 304
Total Segment Assets	**595 428 064**	**452 491 933**

29. RISK MANAGEMENT

29.1 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.

29.2 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 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 Committee.

29.2 KEY RISKS REQUIRING SPECIAL MENTION

29.2.1 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 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 industrial 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.

	June 2010 US$	December 2009 US$
Cash and balances with Reserve Bank of Zimbabwe (excluding cash on hand)	90 525 706	41 999 805
Due from banks	35 927 265	46 479 112
Financial assets held for trading	2 450 907	2 374 291
Loans and advances to customers	324 066 604	244 951 876
Other assets	39 834 497	3 456 078
Total	**492 804 979**	**339 261 162**
Contingent liabilities	108 781 069	63 632 195
Commitments	203 359	46 719
Total	**108 984 428**	**63 678 914**

Where financial instruments are recorded at fair value the amounts shown above represent the current credit risk exposure but not the maximum risk exposure that could arise in the future as a result of changes in values. The Group held cash and cash equivalents of $126 452 971 at 30 June 2010 which represents its maximum credit exposure on these assets. The cash and cash equivalents are held with the central bank, local and foreign banks

Aging analysis of past due but not impaired loans

	Up to 1 month US$	1 to 3 months US$	3 to 6 months US$	6 to 12 months US$	over 12 months US$	Total US$
Loans and advances	833 232	993 086	123 780	3 157	-	1 953 254

Loans which are less than 90 days past due are not impaired as long as there is no information to indicate the contrary. An industry sector analysis of the Group's financial assets before and after taking into account collateral held is as follows:

	June 2010 US$ Gross maximum exposure	June 2010 US$ Net Maximum exposure exposure	December 2009 US$ Gross maximum exposure	December 2009 US$ Net Maximum exposure
Private	28 132 651	1 151 175	15 029 539	-
Agriculture	98 716 822	5 234 245	62 845 148	-
Mining	1 267 155	67 292	3 399 512	-
Manufacturing	41 759 501	2 214 359	36 655 674	-
Distribution	100 251 104	5 316 983	91 490 329	-
Construction	7 120 541	845 845	8 990 437	-
Transport	11 499 682	610 688	76 019 949	-
Communication	5 064 771	268 963	5 000 000	-
Services	31 856 560	1 691 734	13 861 856	-
Financial organizations	2 497 611	132 636	3 546 896	-
Total gross advances	**328 166 398**	**17 533 920**	**316 839 340**	-

	June 2010 US$	December 2009 US$
Collateral (mortage security	115 633 400	246 776 000
Other forms of security including Notarial General Covering Bonds (NGCBs), cessions etc	196 379 898	31 438 469
	312 013 298	**278 214 469**

The Group holds collateral against loans and advances to customers in the form of mortgage interests over property, other registered securities over assets and guarantees. Estimates of fair value are based on the value of collateral assessed at the time of borrowing, and generally are not updated except when a loan is individually assessed as impaired. Collateral generally is not held over loans and advances to banks, except when securities are held as part of reverse repurchase and securities borrowing activity.

An estimate of the fair value of collateral and other security enhancements held against loans and advances to customers and banks is shown above and analysed as follows.

	June 2010 US$	December 2009 US$
Against individually impaired		
Property	993 969	289 802
Other	210 000	36 920
Against collectively impaired		
Property	223 032	1 013 500
Other	338 419	129 117
Against past due but not impaired		
Property	1 994 786	1 520 250
Other	5 640 572	193 675
Against neither past due nor impaired		
Property	112 421 613	243 952 448
Other	190 190 907	31 078 757
Total	**312 013 298**	**278 214 469**

Credit Quality per Class of Financial Assets

The credit quality of financial assets is managed by the Group using internal credit ratings. The table below shows the credit quality by class of assets for loan-related statement of financial positions lines based on the Bank's credit rating system.

June 2010

	Neither past due nor impaired				
	High grade US$	Standard grade US$	Sub standard Grade US$	Past due nor individually impaired US$	Total US$
Due from banks	-	-	-	-	-
Financial assets designated at fair value through profit and loss	-	-	-	-	-
Loans and advances to customers	-	-	-	-	-
Agriculture	95 742 908	159 002	168 635	19 692	96 090 237
Manufacturing	38 786 643	139	61 780	-	38 848 562
Commercial	31 162 630	154 010	132 074	840	31 449 554
Individuals and households	25 664 199	870 632	1 279 504	10 278	27 824 613
Mining	1 250 950	-	-	-	1 250 950
Distribution	84 727 391	244 611	134 451	96 127	85 202 580
Construction	6 989 745	-	49 755	-	7 039 500
Transport	5 649 537	15 034	118	-	5 664 689
Communication	5 000 000	-	-	-	5 000 000
Financial Services	3 091 783	-	-	-	3 091 783
Other	22 604 132	-	-	-	22 604 132
	320 669 918	**1 443 428**	**1 826 317**	**126 937**	**324 066 600**

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 $3.8 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, 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 generally are based on a product-specific past due status.

29.2.2 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. The Group's interest rate risk profiling is displayed under note 24.

At 30 June 2010, if interest rates (both earning and paying rates) at that date had been 50 basis points higher or lower with all other variables held constant, post tax profit for the year would have been $809 697 higher or lower respectively than the reported position. This arises mainly as a result of the sensitivity of the net interest assets to the movements in the interest rates.

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.

At 30 June 2010, if foreign exchange rates at that date had weakened or strengthened by 50 basis points with all other variables held constant, post tax profit for the year would have been $129 944 higher or lower respectively than the reported position. This arises mainly 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 Group as at 30 June 2010 is displayed under note 27.

29.2.3 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.

29.2.4 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 which is underpinned by Group corporate goals. Approval of the strategy is the responsibility of the Board whilst implementation is the responsibility of Management. Strategy and goal congruency is reviewed monthly by Management and quarterly by the Board.

29.2.5 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.

29.2.6 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 general business 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 subscribe to the Group's code of conduct and general business ethics on and after joining the Group.
•Stakeholders' feedback systems that ensures proactive attention to the Group's reputation management.

29.2.7 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.

29.2 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 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 Group Risk.

29.2.9 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.

29.2.10 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.

At 30 June 2010, if provision for claims at that date had been changed by 30% with all other variables held constant, profit after tax for the year would have been US$ 284 115 higher or lower respectively than the reported position.

29.2.11 Risk and Credit Ratings

29.2.11.1 External Credit Rating

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

No short term ratings were provided by the rating agent from 2007 to 2009

29.2.11.2 Reserve Bank 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 Asset Management	3	3	-	3	2	3	-
CBZ Holdings Group	2	2	2	-	2	2	2

Key

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

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	Increasing
Liquidity Risk	Moderate	Acceptable	Moderate	Stable
Interest Rate Risk	Moderate	Acceptable	Moderate	Stable
Foreign Exchange Risk	Moderate	Acceptable	Moderate	Increasing
Strategic Risk	Moderate	Acceptable	Moderate	Increasing
Operational Risk	High	Weak	High	Increasing
Legal & Compliance Risk	Moderate	Acceptable	Moderate	Stable
Reputation Risk	Low	Acceptable	Low	Stable
Overall	Moderate	Acceptable	Moderate	Increasing

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	Increasing
Liquidity Risk	Low	Acceptable	Low	Stable
Interest Rate Risk	Low	Acceptable	Low	Stable
Foreign Exchange Risk	Moderate	Acceptable	Moderate	Increasing
Strategic Risk	Moderate	Acceptable	Moderate	Increasing
Operational Risk	Moderate	Acceptable	Moderate	Stable
Legal & Compliance Risk	Moderate	Acceptable	Moderate	Stable
Reputation Risk	Low	Strong	Low	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	Increasing
Operational Risk	Moderate	Weak	Moderate	Increasing
Legal & compliance Risk	Moderate	Weak	Moderate	Stable
Reputation Risk	Low	Acceptable	Low	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.

DIRECTORATE

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.

30. 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 the King III Code which is an internationally regarded benchmark in Corporate Governance.

30.1 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.

30.2 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.

30.3 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.

30.4 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 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 Chief Executive Officer (CEO). Board members are elected on the basis of their industry knowledge, financial 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 have 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;
•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 30 June 2010 was constituted as tabulated below:-

CBZ Holdings Limited	CBZ Bank Limited	CBZ Asset Management	Optimal Insurance
L Zembe	R V Wilde	R Zirobwa	A M T Mutsonziwa
N Makuvise	S G R Harnden	S Turk	J Whacha
J P Mangudya (Dr)	N Makuvise	I H Harris	N Makuvise
T Bere	J P Mangudya (Dr)	N Makuvise	P Mundangepfupfu
F M Dernawi	P Zimunya	B Naik	C Malunga
D Govere	N Nyemudzo	C Jones	S Choga
A Lowe	R M Chimedza (Dr)	A Kassim	A Jakara
M I O Ben Ghali	R Pasi	D Ndlela	
D Mutambara	E Mugamu	W Wells	
R Nhamo	F B Chirimuuta	P Brien	
J G Osteberg	R Jakanani	J Smith	
G Taputaira		R Hacker	
V M Chasi			

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 meetings, committee meetings and critical events of the Group. The Directors are also provided with all relevant legislation and regulations. The Company 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 overtly 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 ATTENDANCE REGISTER

	STRATEGIC PLANNING	MAIN BOARD	AUDIT & RISK MANAGEMENT	INVESTMENTS	CORPORATE GOVERNANCE & NOMINATIONS	HUMAN RESOURCES
Zembe L	1	2	N/A	N/A	N/A	N/A
Bere T	1	2	2	N/A	2	1
Ben Ghali M I O	1	2	1	1	N/A	N/A
Dernawi F M	1	2	N/A	1	1	N/A
Govere D	1	2	N/A	0	N/A	N/A
Lowe A	1	2	N/A	1	N/A	1
Mutambara D	1	1	0	N/A	2	N/A
Nanabawa M H	1	2	2	1	N/A	N/A
Nhamo R (Mrs)	1	2	N/A	N/A	2	1
Osterberg J G	1	2	2	1	N/A	N/A
Taputaira G	1	2	2	1	N/A	N/A
*Makuvise N	1	2	2	1	2	1
*Mangudya J P (Dr)	1	2	2	1	2	1

* - Executive Directors
N/A – Not a member

Strategic Planning Committee Meetings held: 1
Main Board Meetings held: 2
Audit & Risk Management Committee Meetings held: 2
Investments Committee Meetings held: 1
Corporate Governance & Nominations Committee Meetings held: 2
Human Resources Committee Meetings held: 1

CBZ BANK LIMITED BOARD ATTENDANCE REGISTER

	AUDIT	LENDING	LOANS REVIEW	REMUN ERATION & TERMI NATION BENEFITS	CORPO RATE GOVER NANCE	RISK	MAIN
R V Wilde	N/A	1	N/A	1	N/A	N/A	2
S G R Harnden	N/A	N/A	2	2	2	2	2
N Makuvise	2	N/A	2	N/A	2	N/A	2
R Mabeza-Chimedza (Dr)	1	2	N/A	2	2	N/A	2
E Mugamu	2	N/A	2	N/A	N/A	2	2
R Pasi	2	2	N/A	N/A	2	2	2
F Chirimuuta	2	N/A	2	N/A	2	N/A	2
*J P Mangudya (Dr)	2	2	2	2	2	2	2
*P Zimunya	N/A	2	2	N/A	N/A	2	2
*N Nyemudzo	2	N/A	N/A	N/A	N/A	N/A	2

* Executive Directors
N/A – Not a member

All Committees held 2 meetings each
Main Board held 2 meetings

CBZ ASSET MANAGEMENT (PVT) LTD BOARD ATTENDANCE REGISTER

	AUDIT	CORPORATE GOVERNANCE	INVESTMENTS	REMUNERATION & NOMINANTIONS	RISK	MAIN BOARD
R Zirobwa	N/A	1	2	2	N/A	2
A Kassim	N/A	2	N/A	N/A	2	2
B Naik	N/A	2	N/A	2	N/A	2
C Jones	N/A	N/A	2	N/A	2	1
D Ndlela	N/A	N/A	1	N/A	1	1
I Harris	2	N/A	1	N/A	1	2
N Makuvise	N/A	2	N/A	1	2	2
W R Wells	N/A	N/A	1	N/A	1	0
J F Smith*	2	2	2	2	2	2
P Brien*	N/A	N/A	2	N/A	1	1
S Turk*	2	2	2	2	2	1

W.R. Wells resigned on 31 January 2010
D. Ndlela resigned on 6 May 2010
S. Turk resigned on 31 May 2010

During the second quarter the Audit, Nominations and Remuneration Committees held special committee meetings

Audit Committee Meetings held 2
Corporate Governance Meetings 2
Remuneration Committee Meetings held 2
Investment Committee Meetings held 2
Risk Committee Meetings held 2
Main Board Meetings held 2

*-Executive
N/A – Not a member

OPTIMAL INSURANCE COMPANY (PVT) LTD BOARD ATTENDANCE REGISTER

	MAIN BOARD	AUDIT	REMUNERATION COMMITTEE
	2	2	1
A M T Mutsonziwa	1	N/A	1
N Makuvise	1	N/A	1
S Choga	2	2	N/A
J Whacha*	2	2	1
P Mundangepfupfu	2	2	N/A

*-Executive
N/A – Not a member

Main Board Meetings held 2
Audit Commitee Meetings 2
Remuneration Committee Meetings held 1

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 30 June 2010 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 half year ended 30 June 2010

		June 2010 US$	June 2009 US$
Interest income	2.1	17 984 981	3 962 946
Interest expense	2.2	(8 857 658)	(692 957)
Net interest income		**9 127 323**	**3 269 989**
Non-interest income	3	20 664 631	7 853 867
Total income		**29 791 954**	**11 123 856**
Operating expenditure	4	(16 414 995)	(6 739 539)
Operating income		13 376 959	4 384 317
Charge for impairment on advances	8.3	(946 154)	(463 662)
Profit before taxation		**12 430 805**	**3 920 655**
Taxation	5	(2 592 591)	(593 079)
Profit for the period		**9 838 214**	**3 327 576**
Other comprehensive income	17		
Gains/ (losses) on property revaluations		1 116 086	(8 339 831)
(Losses) on available for sale assets		(374 853)	-
Other			-
income tax relating to components of other comprehensive income		(283 578)	2 713 077
Other comprehensive income/(loss) for the half year net of tax		457 655	(5 626 754)
Total comprehensive income (loss) for the period		**10 295 869**	**(2 299 178)**

STATEMENT OF FINANCIAL POSITION
as at 30 June 2010

	Note	June 2010 US$	December 2009 US$
ASSETS			
Balances with banks and cash	6	149 556 954	130 965 800
Money market assets	7	2 450 907	2 374 291
Advances	8	316 485 366	241 009 153
Other assets	9	39 238 012	636 317
Investments	10	757 726	736 580
Property and equipment	11	29 778 587	27 791 462
Investment properties	12	2 170 000	1 670 000
TOTAL ASSETS		**540 437 552**	**405 183 603**
LIABILITIES			
Deposits	14	465 912 173	357 659 684
Other liabilities	15	27 098 642	9 812 411
Current tax payable		2 803 979	2 908 418
Deferred tax liability	13	1 291 539	1 767 740
TOTAL LIABILITIES		**497 106 333**	**372 148 253**
EQUITY AND RESERVES			
Share capital	16	5 118 180	-
Share premium	16.1	11 198 956	-
Non distributable reserve		5 522 755	21 839 891
Revaluation reserve		3 906 353	3 077 659
Available for sale reserve		(149 940)	221 099
Revenue reserve		17 734 915	7 896 701
EQUITY & RESERVES		**43 331 219**	**33 035 350**
TOTAL LIABILITIES, EQUITY AND RESERVES		**540 437 552**	**405 183 603**

STATEMENT OF CHANGES IN EQUITY
for the half year ended 30 June 2010

	Share capital US$	Share premium US$	Non distributable reserve US$	Revaluation reserve US$	Available for sale reserve US$	Revenue reserve US$	Total US$
June 2009							
Balance at 1 January 2009	-	-	19 198 536	-	-	5 917 687	25 116 223
Total comprehensive income	-	-	-	-	-	3 327 576	3 327 576
Balance at 30 June 2009	**-**	**-**	**19 198 536**	**-**	**-**	**9 245 263**	**28 443 799**
June 2010							
Balance at 1 January 2010	-	-	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	-	-	-	828 694	(371 039)	9 838 214	10 295 869
Balance at 30 June 2010	**5 118 180**	**1 198 956**	**5 522 755**	**3 906 353**	**(149 940)**	**17 734 915**	**43 331 219**

STATEMENT OF CASH FLOWS
for the half year ended 30 June 2010

	June 2010 US$	June 2009 US$
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	12 430 805	3 920 655
Non cash items:		
•Depreciation	626 000	222 827
•Fair value adjustment	(500 000)	-
•Impairment losses on advances	946 154	463 662
•Profit on sale of property and equipment	292 696	-
Operating profit before changes in operating assets and liabilities	13 795 655	4 607 144
Changes in operating assets and liabilities		
Deposits	108 252 488	120 479 152
Advances	(76 422 368)	(69 115 384)
Money market assets	(76 616)	-
Other assets	(38 601 695)	(2 936 102)
Other liabilities	17 286 233	6 445 021
	10 438 042	54 872 687
		-
Corporate tax paid	(3 456 810)	(201 874)
Net cash inflow from operating activities	20 776 887	59 277 957
CASH FLOWS FROM INVESTING ACTIVITIES		
Net change in investments	(395 999)	1 227
Proceeds on disposal of property and equipment	708 284	-
Purchase of property and equipment	(2 498 018)	(5 023 407)
Net cash outflow from investing activities	(2 185 733)	(5 022 180)
NET INCREASE IN CASH AND CASH EQUIVALENTS	**18 591 154**	**54 255 777**
Cash and cash equivalents at beginning of year	130 965 800	50 202 284
Cash and cash equivalents as at 30 June 2010	149 556 954	104 458 061

NOTES TO THE FINANCIAL STATEMENTS
for the half year ended 30 June 2010

1 Incorporation and Activities

The Bank is incorporated in Zimbabwe and registered in terms of the Companies Act (Chapter 24.07). It offers retail banking, commercial banking, investment banking, small to medium enterprises financing, treasury management, wealth management, agri business and custodial services.

	June 2010 US$	June 2009 US$
2. INTEREST		
2.1 Interest Income		
Overdrafts	8 701 916	334 477
Loans	8 802 937	3 116 259
Intra-group Interest received	44 662	497 363
Staff loans	353 319	14 847
	17 902 834	3 962 946
Short-term market assets	82 147	-
	17 984 981	3 962 946
2.2 Interest expense		
Savings	1 675 954	255 354
Money market deposits	5 799 800	117 618
Foreign Currency Deposits	1 381 904	319 985
	8 857 658	692 957
3.NON-INTEREST INCOME		
Net income from trading securities		
Fair value adjustments	500 000	-
Net income from foreign currencies dealings	352 401	-
Commission and fee income	13 319 685	82 896
(Loss)/profit on sale of assets	(292 696)	7 770 971
Other operating income	6 785 241	-
	20 664 631	7 853 867
4. OPERATING EXPENDITURE		
Staff costs	8 511 246	3 289 589
Administration expenses	6 968 873	3 178 872
Audit fees	308 876	48 251
Depreciation	626 000	222 827
	16 414 995	6 739 539
Directors remuneration (included in staff costs)		
Fees for services as directors	54 716	52 457
Salaries and other benefits	1 029 938	471 305
	1 084 654	523 762

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.

5.1 Analysis of tax charge in respect of the profit for the year

	June 2010 US$	June 2009 US$
Current income tax charge	3 352 370	593 079
Deferred income tax	(759 779)	-
Income tax expense	2 592 591	593 079

5.2 Tax Rate Reconciliation	%	%
Notional Tax	25	30
Bank levy	0	5
Aids levy	0.75	0.9
Permanent differences	(4.89)	(20.77)
Effective rate	20.86	15.13

	June 2010 US$	December 2009 US$
6. BALANCES WITH BANKS AND CASH		
Balance with the Reserve Bank of Zimbabwe	90 329 178	41 611 890
Statutory Reserve	8 935 040	8 932 291
Current accounts	81 394 138	32 679 599
Balances with other banks and cash	59 227 776	89 353 910
Cash foreign	30 584 441	44 554 228
Nostro accounts	28 643 335	44 776 731
Interbank clearing accounts	-	22 951
	149 556 954	130 965 800
7. MONEY MARKET ASSETS		
Grain bills	-	2 329 000
Call placements	2 447 592	-
Accrued interest	3 315	45 291
	2 450 907	2 374 291
Grain Bills Portfolio analysis		
Held for trading portfolio	2 450 907	2 374 29
Maturity analysis		
Demand	-	-
Between 1 and 3 months	2 450 907	2 374 291
Between 3 months and 1 year	-	-
Between 1 and 5 years	-	-
	2 450 907	2 374 291
7.1 Financial assets held for trading		
Money Market assets	2 450 907	2 374 291
Grain bills	-	2 374 291
Treasury Placements	2 450 907	-

	June 2010 US$	December 2009 US$
8.ADVANCES		
Overdrafts	206 352 901	126 917 185
Loans	109 883 340	115 322 614
	316 236 241	242 239 799
Interest accrued	4 348 920	2 048 773
Total gross advances	320 585 161	244 288 572
Impairment	(4 099 795)	(3 279 419)
	316 485 366	241 009 153
8.1Maturity analysis		
Demand	209 026 025	121 261 442
Between 1 and 3 months	52 388 682	36 897 563
Between 3 and 1 year	36 540 808	81 037 378
Between 1 and 5 years	22 629 646	5 092 189
	320 585 161	244 288 572

Maturity analysis is based on the remaining period from 30 June 2010 to contractual maturity.

8.2 Loans to directors and employees

Loans to directors

Included in advances are loans to executive directors:-

Balance at beginning of period	1 155 265	-
Advances made during the period	553 736	2 679 834
Repayment during the period	(72 292)	(1 524 569)
Balance at end of period	1 636 709	1 155 265

Loans to employees

Included in advances are loans to employees: -

Balance at beginning of period	4 354 608	-
Advances made during the period	15 366 008	7 877 969
Repayments during the period	(700 279)	(3 523 361)
Balance at end of period	19 020 337	4 354 608
8.3 Impairment of advances		
Balance at beginning of the period	3 279 419	80 123
Charge for impairment	946 154	3 199 296
Interest in suspense	(125 778)	-
Balance at the end of the period	4 099 795	3 279 419
Comprising :		
Specific impairments	228 702	182 316
Portfolio impairments	3 871 093	3 097 103
	4 099 795	3 279 419
8.4 Sectoral analysis		
Private	21 677 445	12 071 982
Agriculture	98 564 537	62 470 196
Mining	1 267 155	3 399 512
Manufacturing	41 697 953	36 649 897
Distribution	100 122 565	90 751 748
Construction	6 336 881	8 990 437
Transport	11 499 682	7 601 949
Communication	5 064 771	5 000 000
Services	31 856 560	13 812 149
Financial organisations	2 497 612	3 540 702
	320 585 161	244 288 572
9. OTHER ASSETS		
Miscellaneous assets	38 685 454	543 151
Prepayments and deposits	552 558	93 166
	39 238 012	636 317
10. INVESTMENTS		
Listed investments	624 441	595 730
Nicoz Diamond Insurance Limited Shares	-	595 730
Art Corporation Limited Shares	624 441	-
Unlisted investments	133 285	140 850
Zimswitch	28 563	28 563
SWIFT Shares	104 722	112 287
	757 726	736 580
Portfolio analysis		
Available for sale	757 726	736 580
11. PROPERTY AND EQUIPMENT		
Cost		
Opening balance	28 899 756	18 746 984
Revaluation Reserve	561 254	3 640 063
Additions	2 498 018	7 091 737
Disposals	(1 000 978)	(579 028)
Closing balance	30 958 050	28 899 756
Accumulated depreciation		
Opening balance	1 108 294	-
Charge for the period	626 000	1 108 294
Revaluation	(554 831)	-
Closing balance	1 179 463	1 108 294
	29 778 587	27 791 462

Properties were revalued on an open market basis by an independent professional valuer as at 30 June 2010 in accordance with the Royal Institute of Chartered Surveyors Appraisal and Valuation Manual and the Real Estate Institute of Zimbabwe Standards.

The maximum useful lives are as follows:

-Buildings	40 years
-Motor vehicles	3-5 years
-Leasehold improvements	10 years
-Computer equipment	5 years
-Furniture and fittings	10 years

Property and equipment was tested for impairment by comparing the carrying amounts against open market values determined by independent valuers. No impairment loss was identified from the test.

	June 2010 US$	December 2009 US$
12. INVESTMENT PROPERTIES		
Opening balance	1 670 000	712 125
Fair valuation gain	500 000	957 875
Closing balance	2 170 000	1 670 000

Investment properties are carried at fair value determined on an open market basis by an independent professional valuer as at 30June 2010 in accordance with the Royal Institute of Chartered Surveyors Appraisal and Valuation Manual and the Real Estate Institute of Zimbabwe Standards.

No rental income was derived from investment properties and direct operating expenses amounted to US$1 827.

13. DEFERRED TAX LIABILITY

	June 2010 US$	December 2009 US$
Revaluation of property and equipment	287 392	562 404
Fair value adjustment – available for sale	(3 814)	2 300
	283 578	**564 704**

The deferred tax included in the statement of financial position and changes recorded in the income tax expenses are as follows:		
Fair value adjustments	25 000	-
Impairment allowance	(502 379)	(637 911)
Property and equipment	568 712	(88 034)
Other	(851 112)	47 500
Total deferred tax liability	**(476 201)**	**(113 741)**
Add:	-	-
Opening balance	1 767 740	1 881 481
Closing balance	1 291 539	1 767 740

14.DEPOSITS

Savings and other deposits	431 620 101	318 089 163
Money market deposits	30 293 627	38 105 292
Accrued interest	3 998 445	1 465 229
	465 912 173	357 659 684
Deposits by source		
Banks	149 889 396	500 000
Money market	128 897 571	38 105 292
Customers	187 125 206	319 054 392
	465 912 173	357 659 684
Sectoral Analysis		
Private	58 401 540	58 411 401
Agriculture	14 552 049	9 397 874
Mining	2 851 352	2 204 886
Manufacturing	16 723 612	57 399 323
Distribution	64 746 405	9 506 311
Construction	4 534 117	3 506 130
Transport	7 385 469	5 711 016
Communication	27 597 069	24 579 055
Services	188 895 304	138 068 082
Financial organisations	62 507 819	43 347 669
Financial and investments	17 717 437	5 527 937
	465 912 173	357 659 684
Maturity analysis		
Repayable on demand	266 852 354	285 156 571
Within 1 month	137 217 898	-
Between 1 and 3 months	49 020 092	34 605 293
Between 3 months and 1 year	12 821 829	37 897 820
	465 912 173	357 659 684

Maturity analysis is based on the remaining period from 30 June 2010 to contractual maturity.

15. OTHER LIABILITIES

Sundry payables	27 098 642	9 812 411

16. SHARE CAPITAL

Authorised		
600 000 000 ordinary shares of $0.01 each	6 000 000	-
Issued and fully paid		
511 817 951 ordinary shares of $0.01 each	5 118 180	-

16.1 SHARE PREMIUM

Opening balance	-	-
Redenomination of share capital	11 198 956	-
Closing balance	11 198 956	-

17.OTHER COMPREHENSIVE INCOME

	Before Tax US$	Income Tax US$	Net of Tax US$
Gains/losses on property revaluations	1 116 086	287 392	828 694
Available for sale financial assets	(374 853)	(3 814)	(371 039)
	741 233	283 578	457 655

18.RELATED PARTY DISCLOSURES

The Bank is 100% owned by CBZ Holdings Limited. CBZ Properties, CBZ Asset Management, Optimal Insurance, CBZ Securities and Transcontinental Equity Growth Fund are related to CBZ Bank through common shareholding.

The volumes of related party transactions and related income and expenses are as follows;

	2010 US$	2009 US$
a) Loans and advances to directors and other key management personnel		
Included in advances are loans to executive directors:-		
Balance at beginning of period	1 155 265	-
Advances made during the period	2 967 434	2 679 834
Repayment during the period	(2 485 985)	(1 524 569)
Balance at end of period	1 636 714	1 155 265
Interest income earned on loans and advances to directors key management personnel	45 837	27 011
(b) Deposits from directors and key management personnel		
Balance at end of period	**550 240**	**145 959**
Interest expense on deposits from directors and key management personnel	350	204
(c) Balances with group companies		
Amounts due from group companies	3 997 183	1 000 000
Amounts due to group companies	7 550 607	699 409
Interest income on amounts due from group companies	44 662	407 363
Interest expense on amounts due to group companies	28 177	27 011

RISK MANAGEMENT

19.1 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.

19.1.1 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

19.2 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.

	June 2010 US$	December 2009 US$
Cash and balances with Reserve Bank of Zimbabwe (excluding cash on hand)	90 329 178	41 611 889
Nostro balances	28 643 335	44 776 731
Due from banks	-	500 000
Financial assets held for trading	2 450 907	2 374 291
Loans and advances to customers	316 485 366	241 009 153
Other assets	39 238 012	636 318
Total	477 146 798	330 908 382
The table below shows the maximum exposure to credit for the components of the statement of financial position.		
Contingent liabilities	108 781 069	63 632 195
Commitments	203 359	46 719
Total	108 984 428	63 678 914

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 equivalents of $118 972 513 (excluding notes and coins) as at 30 June 2010 which represents its maximum credit exposure on these assets. The cash and cash equivalents are held with the central bank, local and foreign banks.

19.2 (b) Ageing analysis of past due but not impaired loans:

	Up to 1 month US$	1 to 3 months US$	3 to 6 months US$	6 to 12 months US$	Over 12 months US$	Total US$
Loans and advances	-	537 749	-	-	-	537 749

Loans which are less than 90 days past due are not impaired as long as there is no information to indicate the contrary. An industry sector analysis of the Bank's financial assets before and after taking into account collateral held is as follows:

	June 2010 US$	June 2010 US$	December 2009 US$	December 2009 US$
	Gross maximum exposure	Net maximum exposure (not covered by security)	Gross maximum exposure	Net maximum exposure (not covered by security)
Private	21 677 445	1 151 175	12 071 981	-
Agriculture	98 564 537	5 234 245	62 470 196	-
Mining	1 267 155	67 292	3 399 512	-
Manufacturing	41 697 953	2 214 359	36 649 897	-
Distribution	100 122 565	5 316 983	90 751 748	-
Construction	6 336 881	336 518	8 990 437	-
Transport	11 499 682	610 688	7 601 949	-
Communication	5 064 771	268 963	5 000 000	-
Services	31 856 560	1 691 734	13 812 149	-
Financial Organisations	2 497 612	132 635	3 540 702	-
Gross value at 30 June	320 585 161	17 024 592	244 288 571	-

	June 2010 US$	December 2009 US$
Collateral (mortgage security)	109 165 811	242 670 603
Other forms of security including Notarial General Covering Bonds (NGCBs),cessions, etc	194 394 757	31 438 469
	303 560 568	274 109 072

The Bank holds collateral against loans and advances to customers in the form of mortgage interests over property, other registered securities over assets, and guarantees. Estimates of fair value are based on the value of collateral assessed at the time of borrowing, and generally are not updated except when a loan is individually assessed as impaired. Collateral generally is not held over loans and advances to banks, except when securities are held as part of reverse repurchase and securities borrowing activity. An estimate of the fair value of collateral and other security enhancements held against loans and advances to customers and banks is shown above and analysed as follows.

	June 2010 US$	December 2009 US$
Against individually impaired		
Property	873 969	284 981
Other	-	36 920
Against collectively impaired		
Property	-	996 639
Other	-	129 117
Against past due but not impaired		
Property	1 541 205	1 494 959
Other	4 203 849	193 675
Against neither past due nor impaired		
Property	106 750 637	239 894 024
Other	190 190 908	31 078 757
	303 560 568	274 109 072

Credit Quality per Class of Financial Assets
The credit quality of financial assets is managed by the Bank using internal credit ratings. The table below shows the credit quality by class of asset for loan-related statement of financial position lines based on the Bank's credit rating system.

June 2010

Due from banks	Neither past due nor impaired: High grade US$	Standard grade US$	Sub-standard grade impaired US$	Past due or individually US$	Total US$
Financial assets designated at fair value through profit and loss					
Loans and advances to customers					
Agriculture	95 742 908	159 002	35 740	302	95 937 952
Manufacturing	38 786 643	139	233	-	38 787 015
Commercial	31 162 630	154 010	132 074	840	31 449 554
Individual and Households	20 221 925	870 632	267 547	9 304	21 369 408
Mining	1 250 950	-	-	-	1 250 950
Distribution	84 727 391	244 611	102 039	-	85 074 041
Construction	6 255 842	-	-	-	6 255 842
Transport	5 649 537	15 034	118	-	5 664 689
Communication	5 000 000	-	-	-	5 000 000
Financial Services	3 091 783	-	-	-	3 091 783
Other	22 604 132	-	-	-	22 604 132
	314 493 741	1 443 428	537 751	10 446	316 485 366

The Bank has issued financial guarantee contracts in respect of receivables for which the maximum amount payable by the Bank, assuming all guarantees are called on, is $3.8 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 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.

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 Bank 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 Bank.

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 generally are based on a product-specific past due status.

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

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

The Bank has managed this risk through strict adherence to Asset and Liability management processes and requirements, which are driven by the relevant Management and Board committees.

Liquidity Gap Analysis
30 June 2010

	Demand US$	Up to 1 month US$	1 to 3 months US$	3 months to 1 year US$	1 year to 5 years US$	Total US$
Assets						
Loans and Advances	206 352 901	-	51 718 711	33 862 870	24 550 884	316 485 366
Cash and bank balances	149 556 954	-	-	-	-	149 556 954
Investment in equities	-	-	-	-	-	-
Money market assets	-	-	2 450 907	-	-	2 450 907
Financial guarantees	-	-	-	-	3 752 918	3 752 918
Total	355 909 855	-	54 169 618	33 862 870	28 303 802	472 246 145
Liabilities						
Deposits	266 852 354	137 217 898	49 020 092	12 821 829	-	465 912 173
Current income tax	-	-	-	2 803 979		2 803 979
Other liabilities	-	-	-	-		
Financial guarantees	-	-	-	-	3 752 918	3 752 918
Total	266 852 354	137 217 898	49 020 092	15 625 808	3 752 918	472 469 070
Liquidity gap	89 057 501	(137 217 898)	5 149 526	18 237 062	24 550 884	(222 925)
Cumulative liquidity gap	89 057 501	(48 160 397)	(43 010 871)	(24 773 809)	(222 925)	(222 925)

31 December 2009

	Demand US$	Up to 1 month US$	1 to 3 months US$	3 months to 1 year US$	1 year to 5 years US$	Total US$
Assets						
Loans and Advances	117 982 025	6 476 750	30 420 813	81 037 376	5 092 189	241 009 153
Cash and bank balances	130 965 800	-	-	-	-	130 965 800
Investment in equities	-	-	-	-	-	-
Money market assets	-	-	2 374 291	-	-	2 374 291
Financial guarantees	-	-	-	-	63 632 195	63 632 195
Total	248 947 825	6 476 750	32 795 104	81 037 376	68 724 384	437 981 439
Liabilities						
Deposits	285 156 571	-	34 605 292	37 897 821	-	357 659 684
Current income tax	-	2 908 418				2 908 418
Other liabilities	-	-	9 812 411		-	9 812 411
Financial guarantees	-	-	-	-	63 632 195	63 632 195
Total	285 156 571	2 908 418	44 417 703	37 897 821	63 632 195	434 012 708
Liquidity gap	(36 208 746)	3 568 332	(11 622 599)	43 139 555	5 092 189	3 968 731
Cumulative liquidity gap	(36 208 746)	(32 640 414)	(44 263 013)	(1 123 458)	3 968 731	3 968 731

The table above shows the undiscounted cash flows of the Bank's non-derivative financial assets and liabilities, including issued financial guarantee contracts and unrecognised loan commitments on the basis of their earliest possible contractual maturity. For issued financial guarantee contracts, the maximum amount of the guarantee is allocated to the earliest period in which the guarantee could be called. The Bank's expected cash flows on these instruments may vary from this analysis. For example, demand deposits from customers are expected to maintain a stable or increasing balance and unrecognised loan commitments are not all expected to be drawn down immediately.

The Bank carries out static statement of financial position analysis to track statement of financial position growth drivers, statement of financial position structure, levels and direction of the Bank' maturity mismatch and related funding or liquidity gap and Assets and Liability Management Committee (ALCO) comes up with strategies through its monthly meetings to manage these liquidity gaps through new advances and time deposits.

The key measure used by the Bank for managing liquidity risk is the ratio of net liquid assets to public liabilities. For this purpose net liquid assets are considered as including cash and cash equivalents and investment grade debt securities for which there is an active and liquid market less any deposits from banks, debt securities issued, other borrowings and commitments maturing within the next month.

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

	%
At 31 December 2009	37
At 30 June 2010	33
Average for the period	34
Maximum for the period	39
Minimum for the period	28

19.5 Interest rate risk
This is the risk that a change in interest rates will have a negative effect on the Bank`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. The Bank's interest rate risk profiling is displayed below. At 30 June 2010, if interest rates (both earning and paying rates) at that date had been 5 percentage points higher or lower with all other variables held constant, post tax profit for the period would have been $58 323 lower or higher respectively than the reported position. This arises mainly as a result of the sensitivity of the net interest assets to the movements in the interest rates.

INTEREST RATE REPRICING & GAP ANALYSIS
30 June 2010

	Demand US$	Up to 1 month US$	I month to 3 months US$	3 months to 1 year US$	1 year to 5 years US$	Non- interest bearing US$	Total US$
Assets							
Balances with banks and cash	149 556 954	-	-	-	-	-	149 556 954
Money market assets	-	-	2 450 907	-	-	-	2 450 907
Advances	206 352 901	-	51 718 711	33 862 870	24 550 884	-	316 485 366
Other assets	-	-	-	-	-	39 238 012	39 238 012
Investments	-	-	-	-	-	757 726	757 726
Investment properties	-	-	-	-	-	2 170 000	2 170 000
Property and equipment	-	-	-	-	-	29 778 587	29 778 587
TOTAL ASSETS	355 909 855	-	54 169 618	33 862 870	24 550 884	71 944 325	540 437 552
Deposits	266 852 354	137 217 898	49 020 092	12 821 829	-	-	465 912 173
Other liabilities	-	-	-	-	-	27 098 643	27 098 643
Deferred taxation	-	-	-	-	-	1 291 539	1 291 539
Current taxation payable	-	-	2 803 979	-	-	-	2 803 979
Equity and reserves	-	-	-	-	-	43 331 218	43 331 218
TOTAL LIABILITIES AND EQUITY	266 852 354	137 217 898	51 824 071	12 821 829	-	71 721 400	540 437 552
Interest rate repricing gap	89 057 501	(137 217 898)	2 345 547	21 041 041	24 550 884	222 925	-
Cumulative gap	89 057 501	(48 160 397)	(45 814 850)	(24 773 809)	(222 925)	-	-

31 December 2009

	Demand US$	Up to 1 month US$	I month to 3 months US$	3 months to 1 year US$	1 year to 5 years US$	Non- interest bearing US$	Total US$
Assets							
Balances with banks and cash	130 965 800	-	-	-	-	-	130 965 800
Money market assets	-	-	2 374 291	-	-	-	2 374 291
Advances	117 982 024	6 476 750	30 420 813	81 037 376	5 092 190	-	241 009 153
Other assets	-	-	-	-	-	636 317	636 317
Investments	-	-	-	-	-	736 580	736 580
Investment properties	-	-	-	-	-	1 670 000	1 670 000
Property and equipment	-	-	-	-	-	27 791 462	27 791 462
TOTAL ASSETS	248 947 824	6 476 750	32 795 104	81 037 376	5 092 190	30 834 359	405 183 603
Liabilities and equity reserves							
Deposits	285 156 571	-	34 605 292	37 897 821	-	-	357 659 684
Other liabilities	-	-	-	-	-	9 812 411	9 812 411
Deferred taxation	-	-	-	-	-	1 767 740	1 767 740
Current taxation payable	-	-	2 908 418	-	-	-	2 908 418
Equity and reserves	-	-	-	-	-	33 035 350	33 035 350
TOTAL LIABILITIES AND EQUITY	285 156 571	-	37 513 710	37 897 821	-	44 615 501	405 183 603
Interest rate repricing gap	(36 208 747)	6 476 750	(4 718 606)	43 139 555	5 092 190	(13 781 142)	-
Cumulative gap	(36 208 747)	(29 731 997)	(34 450 603)	8 688 952	13 781 142	-	-

19.6 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.

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

At 30 June 2010, 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 $129 944 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 of the Bank as at 30 June 2010 is as below.

FOREIGN CURRENCY POSITION
Expressed in US$
30 June 2010

	Total	USD	ZAR	GBP	Other foreign currencies
Assets					
Balances with banks and cash	149 556 954	124 433 166	18 271 312	3 507 775	3 344 701
Money market assets	2 450 907	508 651	1 524 882	-	417 374
Advances	316 485 366	312 995 829	2 434 909	393	1 054 235
Other assets	39 238 012	38 869 410	(11 070)	284	379 388
Investments	757 726	653 006	-	-	104 720
Investment properties	2 170 000	2 170 000	-	-	-
Property and equipment	29 778 587	29 778 587	-	-	-
TOTAL ASSETS	540 437 552	509 408 649	22 220 033	3 508 452	5 300 418
Liabilities and equity reserves					
Deposits	465 912 173	438 432 195	22 907 363	2 060 226	2 512 389
Technical liabilities	-	-	-	-	-
Other liabilities	27 098 643	27 049 917	9 536	39 008	182
Deferred taxation	1 291 539	1 291 539	-	-	-
Current taxation payable	2 803 979	2 803 979	-	-	-
Equity and reserves	43 331 218	43 331 218	-	-	-
TOTAL LIABILITIES AND EQUITY	540 437 552	512 908 848	22 916 899	2 099 234	2 512 571

31 December 2009

	Total	USD	ZAR	GBP	Other foreign currencies
Assets					
Balances with banks and cash	130 965 799	119 274 509	2 822 275	5 988 216	2 880 799
Money market assets	2 374 291	2 374 291	-	-	-
Advances	241 009 153	240 874 544	133 175	550	884
Other assets	636 318	694 690	11 376	(1 032)	(68 716)
Investments	736 580	736 580	-	-	-
Investment properties	1 670 000	1 670 000	-	-	-
Property and equipment	27 791 462	27 791 462	-	-	-
TOTAL ASSETS	405 183 603	393 416 076	2 966 826	5 987 734	2 812 967
Liabilities and equity reserves					
Deposits	357 659 684	351 219 467	2 395 298	2 455 072	1 589 847
Other liabilities	9 812 411	9 778 062	(716)	34 891	174
Deferred taxation	1 767 740	1 767 740	-	-	-
Current taxation payable	2 908 418	2 908 418	-	-	-
Equity and reserves	33 035 350	33 035 350	-	-	-
TOTAL LIABILITIES AND EQUITY	405 183 603	398 709 037	2 394 582	2 489 963	1 590 021

FOREIGN CURRENCY POSITION
Expressed in underlying currency
30 June 2010

	ZAR	GBP	Other foreign currencies
Assets			
Cash and short term assets	139 499 637	2 331 987	3 344 701
Advances	3 662 590	261	1 054 235
Other assets	(84 517)	189	379 388
TOTAL ASSETS	**143 077 710**	**2 332 437**	**4 778 324**
Liabilities and equity reserves			
Deposits	174 895 428	1 369 649	2 512 389
Other liabilities	72 806	25 933	182
TOTAL LIABILITIES AND EQUITY	**174 968 234**	**1 395 582**	**2 512 571**
Net position	(31 890 524)	936 855	2 265 753

31 December 2009

	ZAR	GBP	Other foreign currencies
Assets			
Cash and short term assets	20 856 612	3 742 635	2 880 799
Advances	984 163	344	884
Other assets	84 069	(645)	(68 716)
TOTAL ASSETS	**21 924 844**	**3 742 334**	**2 812 967**
Liabilities and equity reserves			
Deposits	17 701 252	1 534 420	1 589 847
Other liabilities	(5 291)	21 807	174
TOTAL LIABILITIES AND EQUITY	**17 695 961**	**1 556 227**	**1 590 021**
Net position	**4 228 883**	**2 186 107**	**1 222 946**

19.7 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.

Operational risk is adequately monitored by internal audit and risk management functions of the Bank with appropriate oversight and intervention from the Board.

19.8 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, 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.

19.9 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.

19.10 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 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.

19.11 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.

19.12 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 Bank risk.

19.13 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.

20. 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.

	30 June 2010 US$	31 December 2009 US$
Risk weighted Assets	**381 671 995**	**316 472 412**
Total qualifying capital	**48 873 364**	**38 064 915**
Tier 1	**39 574 804**	**29 736 592**
Share capital	5 118 180	-
Share premium	11 198 956	-
Revenue reserves	17 734 914	7 896 701
Non Distributable Reserve	5 522 754	21 839 891
Tier 2	**7 313 057**	**6 357 078**
Revaluation reserve	3 752 599	3 077 659
General provisions	3 560 458	3 279 419
Tier 3	**1 985 503**	**1 971 245**
Capital allocated for market risk	257 304	
Capital allocated to operations risk	1 728 199	1 971 245
Capital adequacy (%)	**12.81%**	**12.03%**
- Tier 1 (%)	10.37%	9.40%
- Tier 2 (%)	1.92%	2.01%
- Tier 3(%)	0.52%	0.62%

Regulatory capital consists of Tier 1 capital which 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 Reserve Bank of Zimbabwe, general provisions and revaluation reserves.

DATVEST
Investing with confidence
A Member of the CBZ Group

Unaudited Interim Results as at 30 June 2010

STATEMENT OF COMPREHENSIVE INCOME
for the half year ended 30 June 2010

	Note	June 2010 US$	June 2009 US$
Interest income	2.1	1 488	4 019
Interest expense	2.2	-	(2 567)
Net interest income		**1 488**	**1 452**
Non-interest income	3	348 108	1 162 884
Total income		**349 596**	**1 164 336**
Operating expenditure	4	(754 505)	(387 289)
Profit before taxation		**(404 909)**	**777 047**
Taxation	5	66 815	(294 739)
Profit for the period		**(338 094)**	**482 308**

STATEMENT OF FINANCIAL POSITION
as at 30 June 2010

	Note	June 2010 US$	June 2009 US$
ASSETS			
Balances with banks and cash	6	(18 385)	(9 826)
Advances	7	85 056	84 259
Other assets	8	20 708	97 799
Investments	9	1 329 692	1 079 709
Property and equipment	10	187 526	219 279
Intangible assets	11	20 803	19 403
TOTAL ASSETS		**1 625 400**	**1 490 623**
LIABILITIES			
Other liabilities	12	241 961	159 041
Current tax payable		-	43 097
Deferred taxation	11	146 671	213 486
TOTAL LIABILITIES		**388 632**	**415 624**
EQUITY AND RESERVES			
Share capital	14	61 005	-
Share premium	14.1	977 425	-
Non distributable reserve	14.2	-	538 567
Revenue reserves	14.3	198 338	536 432
EQUITY & RESERVES		**1 236 768**	**1 074 999**
TOTAL LIABILITIES AND EQUITY AND RESERVES		**1 625 400**	**1 490 623**

STATEMENT OF CHANGES IN EQUITY
for the half year ended 30 June 2010

	Share Capital US$	Share Premium US$	Non Distributable Reserve US$	Revenue Reserve US$	Total US$
June 2009					
Balance at the beginning of the year	-	-	682 880	-	682 880
Total comprehensive income	-	-	-	482 308	482 308
Dividends	-	-	-	-	-
Balance at the end of the period	**-**	**-**	**682 880**	**482 308**	**1 165 188**
June 2010					
Balance at the beginning of the year	-	-	538 567	536 432	1 074 999
Share capital redenomination	60 005	478 562	(538 567)	-	-
Total comprehensive income	-	-	-	(338 094)	(338 094)
Right issue	1 000	498 863	-	-	499 863
Balance at the end of the period	**61 005**	**977 425**	**-**	**198 338**	**1 236 768**

STATEMENT OF CASH FLOWS
for the half year ended 30 June 2010

	June 2010 US$	June 2009 US$
CASH FLOWS FROM OPERATING ACTIVITIES		
(Loss)/profit before taxation	(404 909)	777 047
Non cash items:		
•Depreciation	28 471	46 667
•Fair value adjustment	234 458	(704 539)
•Profit on sale of property and equipment	(3 427)	(9 684)
Operating (loss)/profit before changes in operating assets and liabilities	**(145 407)**	**109 491**
Changes in operating assets and liabilities		
Advances	(797)	(65 714)
Other assets	77 091	(103 769)
Other liabilities	82 920	58 736
	159 214	**(110 747)**
Corporate tax paid	(43 097)	-
Net cash inflow from operating activities	(29 290)	(1 256)
CASH FLOWS FROM INVESTING ACTIVITIES		
Net change in investments	15 422	(27 241)
Proceeds on disposal of property and equipment	28 467	21 600
Purchase of property and equipment	(21 758)	(9 857)
Purchase of intangible assets	(1 400)	-
Net cash outflow from investing activities	20 731	(15 498)
NET INCREASE IN CASH AND CASH EQUIVALENTS	(8 559)	(16 754)
Cash and cash equivalents at beginning of year	(9 826)	3 614
Cash and cash equivalents as at 30 June 2010	(18 385)	(13 140)

Notes to the Financial Statements
for the half year ended 30 June 2010

1. INCORPORATION

CBZ Asset Management trading as Datvest is incorporated in Zimbabwe and registered in terms of the Companies Act (Chapter 24.07). The Company's core business is equities trading and client funds management.

	June 2010 US$	June 2009 US$
2. INTEREST		
2.1 Interest income		
Bankers acceptances	161	194
Staff loans	1 327	3 825
	1 488	**4 019**
2.2 Interest expense		
Call	-	(2 567)
3.NON-INTEREST INCOME		
Net income from trading securities	67 834	191 956
Fair value adjustments	(234 458)	704 539
Commission and fee income	509 669	255 482
Profit on sale of assets	3 427	9 684
Other operating income	1 636	1 223
	348 108	**1 162 884**
4.OPERATING EXPENDITURE		
Staff costs	474 502	195 011
Administration expenses	207 239	130 715
Audit fees	49 189	10 000
Depreciation	28 471	46 667
(Credit)/charge for impairment	(4 896)	4 896
	754 505	**387 289**
Directors remuneration (included in staff costs)		
Fees for services as directors	23 725	9 751
Salaries and other benefits	71 175	29 251
	94 900	**39 002**

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 full liability method.

	June 2010	June 2009
Analysis of tax charge in respect of the profit for the year		
Current income tax charge	-	-
Deferred income tax	(66 815)	294 739
Income tax expense	**(66 815)**	**294 739**
Tax rate reconciliation	%	%
Notional tax	25	30
Aids levy	0.75	0.9
Permanent differences	(9.25)	-
Effective rate	**16.50**	**30.9**

	June 2010 US$	December 2009 US$
6.BALANCES WITH BANKS AND CASH		
Balances with other banks and cash	(18 385)	(9 826)
Cash foreign	-	-
Nostro accounts	(18 385)	(9 826)
	(18 385)	**(9 826)**
7.ADVANCES		
Staff Loans	**85 056**	**84 259**
7.1 Loans to directors and employees		
Loans to directors		
Included in advances are loans to executive directors:-		
Balance at beginning of period	17 262	-
Advances made during the period	19 270	17 262
Repayment during the period	(25 290)	-
Balance at end of period	**11 242**	**17 262**
Loans to employees		
Included in advances are loans to employees: -		
Balance at beginning of period	66 997	-
Advances made during the period	39 765	66 997
Effects of amortisation	-	-
-Repayments during the period	(32 948)	-
Balance at end of period	**73 814**	**66 997**
7.2 Impairment of advances		
Balance at beginning of the period	4 896	-
Charge for impairment loss	(4 896)	4 896
Balance at the end of the period	-	**4 896**
8. OTHER ASSETS		
Miscellaneous assets	3 393	96 287
Prepayments and deposits	17 315	1 512
	20 708	**97 799**
9. INVESTMENTS		
Listed investments	1 329 692	1 079 709
Unlisted investments	-	-
	1 329 692	**1 079 709**
Portfolio analysis		
Trading	1 329 692	1 079 709

10 PROPERTY AND EQUIPMENT	June 2010 US$	December 2009 US$
Cost		
Opening balance	277 078	300 765
Revaluation reserve	-	-
Additions	21 758	2 247
Disposals	(29 586)	(25 934)
Closing balance	**269 250**	**277 078**
Accumulated depreciation		
Opening balance	57 799	-
Charge for the period	28 471	57 799
Revaluation	-	-
Disposals	(4 546)	-
	81 724	57 799
Closing balance	**187 526**	**219 279**
11. INTANGIBLE ASSETS		
Opening balance	19 403	9 953
Additions	1 400	9 450
Amortisation charge	-	-
	20 803	**19 403**

Acquisition costs on the intangible assets were still being incurred as at 30 June 2010. Amortisation shall commence when the asset is available for use, ie when it is in the location and condition necessary for it to be capable of operating in the manner intended by management.

12. DEFERRED TAXATION

The deferred tax included in the balance sheet and changes recorded in the income tax expenses are as follows:

	June 2010 US$	December 2009 US$
Fair value adjustments	(60 373)	179 000
Prepayments	4 069	389
Impairment allowance	-	-
Property and equipment	(11 276)	(19 409)
Other	765	(11 764)
Total deferred tax (liability)/assets	**(66 815)**	**148 216**
Add:	-	
Opening balance	213 486	65 270
Closing balance	**146 671**	**213 486**
13. OTHER LIABILITIES		
Sundry payables	241 961	159 041
14. SHARE CAPITAL		
Authorised		
1 000 000 000 ordinary shares of US$0.0001 each	100 000	-
Issued and fully paid		
610 050 000 ordinary shares of US$0.0001 each	61 005	-
14.1 Share premium		
Opening balance	-	-
Redenomination of share capital	977 425	-
Closing Balance	**977 425**	**-**
14.2 Non Distributable Reserve		
Opening balance	538 567	538 567
Share capital redenomination	(538 567)	-
Closing balance	**-**	**538 567**
14.3 Revenue Reserve		
Revenue reserves comprise:		
Holding company	198 338	536 432
Subsidiary companies	-	-
	198 338	**536 432**

15 RELATED PARTY DISCLOSURES

The company is 100% owned by CBZ holdings Ltd. CBZ Properties, CBZ Bank, Optimal Insurance, CBZ Securities and Transcontinental equity growth fund are related to CBZ Asset Management through common shareholding.

The volumes of related party transactions and related income and expenses are as follows;

15.1 Loans and advances to directors and other key management personnel	June 2010 US$	December 2009 US$
Included in advances are loans to executive directors:-		
Balance at beginning of period	18 265	-
Advances made during the period	19 270	21 786
Repayment during the period	(25 290)	(3 521)
Balance at end of period	**12 245**	**18 265**
Interest income earned on loans and advances to directors and key management personnel	398	1 148
15.2 Funds under management of companies within the group		
CBZ Holding Limited equity investments	21 302	25 311
Fees earned on CBZ Holdings Limited equity investments	272	323
Optimal Insurance equity investments	115 383	132 359
Fees earned on Optimal Insurance equity investments	1 021	1 171
16.FUNDS UNDER MANAGEMENT		
Pensions	48 126 949	54 969 242
Private clients	10 514 228	13 723 066
Unit trusts	394 326	518 221
Money market	2 800 000	934 388
	61 835 503	**70 144 917**

17. NOMINEE STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2010

Assets		
Balance with banks / call deposits	1 501 663	563 282
Money market	5 922 960	934 388
Equities quoted	54 410 880	68 647 247
Total assets	**61 835 503**	**70 144 917**
Capital		
Liabilities		
Unit trust funds	394 326	518 221
Portfolio management funds	61 441 177	69 626 696
Total capital and liabilities	**61 835 503**	**70 144 917**

Optimal Insurance Company (Pvt) Ltd

Unaudited Interim Results as at 30 June 2010

STATEMENT OF COMPREHENSIVE INCOME
for the half year ended 30 June 2010

	Note	June 2010 US$	June 2009 US$
Gross premium income		1 960 464	371 153
Reinsurance		(1 013 414)	(301 952)
Net written premium		**947 050**	**69 201**
Unearned premiums		(485 247)	(39 005)
Net earned premium		461 803	30 196
Net commissions	6.6	7 300	(4 615)
Net claims	6.5	(85 642)	(3 655)
Operating expenditure	3	(318 904)	(111 553)
Underwriting profit		**64 557**	**(89 627)**
Investment (loss)/income	2	(11 409)	69 895
Other income		90 477	-
Other deductions		(3 779)	-
Profit/(loss) before taxation		**139 846**	**(19 732)**
Taxation	9	(92 294)	(1 806)
Profit/(loss) for the period		**47 552**	**(21 538)**

STATEMENT OF FINANCIAL POSITION
as at 30 June 2010

	Note	June 2010 US$	December 2009 US$
ASSETS			
Non current assets			
Property and equipment	5	572 049	437 415
Investments	4	118 859	136 326
Total non current assets		**690 908**	**573 741**
Technical assets			
Reinsurance unearned premium reserve	6.1	540 502	204 737
Deferred commissions	6.3	116 420	41 835
Reinsurance outstanding claims		10 518	5 212
Total technical assets		**667 440**	**251 784**
Deferred tax	8	**104 637**	**61 050**
Current assets			
Insurance receivables	11	790 653	62 053
Reinsurance receivables	6.2	76 248	17 408
Other receivables		26 424	37 091
Investments – short term	4	368 253	50 687
Balances with banks and cash	10	106 444	76 366
Total current assets		**1 368 022**	**243 605**
TOTAL ASSETS		**2 831 007**	**1 130 180**
LIABILITIES			
Non current liabilities			
Taxation		135 350	-
Technical liabilities			
Gross unearned premium reserve	6.1	1 127 758	306 746
Gross outstanding claims	6.2	77 469	45 530
Unearned commission reserve	6.3	124 426	46 901
Total technical liabilities		**1 329 653**	**399 177**
Current liabilities			
Reinsurance payables	6.4	506 972	234 617
Other payables		460 216	145 122
Total current liabilities		**967 188**	**379 739**
TOTAL LIABILITIES		**2 432 191**	**778 916**
EQUITY AND RESERVES			
Share capital	7.1	50 000	-
Share premium	7.2	431 995	381 688
Non distributable reserve		-	100 307
Retained earnings		(83 179)	(130 731)
EQUITY AND RESERVES		**398 816**	**351 264**
TOTAL LIABILITIES AND EQUITY AND RESERVES		**2 831 007**	**1 130 180**

STATEMENT OF CHANGES IN EQUITY
for the half year ended 30 June 2010

	Share capital US$	Share premium US$	Revenue reserves US$	NDR US$	Total US$
2009					
Balance at beginning of period	-	-	-	100 307	100 307
Issue of shares	-	381 688	-	-	381 688
Net profit for the period	-	-	(21 538)	-	(21 538)
Balance at 30 June 2009	**-**	**381 688**	**(21 538)**	**100 307**	**460 457**
2010					
Balance at beginning of period	-	381 688	(130 731)	100 307	351 264
Share Capital redenomination	50 000	50 307	-	(100 307)	-
Net profit for the period	-	-	47 552	-	47 552
Balance at 30 June 2010	**50 000**	**431 995**	**(83 179)**	**-**	**398 816**

STATEMENT OF CASHFLOWS
for the half year ended 30 June 2010

CASHFLOWS FROM OPERATING ACTIVITIES

	June 2010 US$	June 2009 US$
Profit/ (loss) before taxation	**139 846**	**(19 732)**
Non cash items:		
•Depreciation	29 923	27 720
•Fair value adjustment	29 191	(47 668)
•Unearned premium	485 247	39 005
•Movement in deferred acquisition costs	2 942	33 082
•Claims Incurred but not yet reported	9 134	3 460
Operating profit before changes in operating assets and liabilities	696 283	35 867
Changes in operating assets and liabilities		
Receivables	(2 007 317)	(1 020)
Payables	1 517 924	(18 770)
	(489 393)	(19 790)
Tax paid	(532)	-
Net cash inflow from operating activities	206 358	16 077
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(164 557)	(262 160)
Net change in investments	(11 723)	(11 667)
Net cash outflow from investing activities	(176 280)	(273 827)
CASH FLOWS FROM FINANCING ACTIVITIES		
Issue of share capital	-	264 666
Net increase in cash and cash equivalents	30 078	6 916
Cash and cash equivalents at beginning of year	76 366	1 571
Cash and cash equivalents as at 30 June	**106 444**	**8 487**

Notes to the financial statements
for the half year ended 30 June 2010

1.INCORPORATION AND ACTIVITES

The Company offers short term insurance services and is incorporated in Zimbabwe and registered in terms of the Companies Act (Chapter 24.07).

	June 2010 US$	June 2009 US$
2.INVESTMENT (LOSS)/INCOME		
Profit on sale of investments	12 310	21 803
Interest income	4 631	6
Dividend received	841	418
Fair value adjustment	(29 191)	47 668
	(11 409)	69 895
3.OPERATING EXPENDITURE		
Administration expenses	115 367	59 494
Audit fees	40 291	8 000
Depreciation	29 923	27 720
Staff costs	133 323	16 339
	318 904	111 553
Directors remuneration (included in staff costs)		
Fees for services as directors	5 300	-
Pension for past and present directors	2 415	-
Salaries and other benefits	19 283	2 500
	26 998	2 500
4.INVESTMENTS		
Listed investments	118 859	136 326
At cost	148 050	135 124
Fair value adjustment	(29 191)	1 202
	118 859	136 326
Portfolio analysis		
Trading	118 859	136 326
Money market assets		
Money market portfolio analysis:		
Held for trading	368 253	50 687
Maturity analysis		
Demand	-	-
Between 1 months and 3 months	368 253	50 687
Between 3 months and 1 year	-	-
	368 253	50 687

5. PROPERTY AND EQUIPMENT

	June 2010 US$	December 2009 US$
Cost		
Opening balance	470 929	100 053
Additions	164 557	381 212
Disposal	-	(10 336)
Closing balance	**635 486**	**470 929**
Accumulated depreciation		
Opening balance	(33 514)	-
Charge for the period	(29 923)	(36 554)
Disposals	-	3 040
Closing balance	**(63 437)**	**(33 514)**
Net book value	**572 049**	**437 415**

6.INSURANCE CONTRACT PROVISIONS

6.1 Provision for unearned premiums	Gross US$	Reinsurance US$	Net US$
Unearned premiums at 1 January 2010	306 747	204 738	102 009
Written premiums	1 960 464	1 013 414	947 050
Premiums earned during the period	(1 139 453)	(677 650)	(461 803)
Unearned premiums as at 30 June 2010	**1 127 758**	**540 502**	**587 256**

6.2 Outstanding claims provision	Technical liabilities US$	Technical assets US$
Outstanding claims as at 1 January 2010	45 530	17 408
Claims incurred	151 128	74 619
IBNR	9 134	-
Claims paid	(128 143)	(15 779)
Closing balance	**77 469**	**76 248**
6.3 Commissions		
Unearned at 1 January 2010	46 901	41 835
Written premium	225 125	214 884
Earned during the year	(147 600)	(140 299)
Unearned commission at 30 June 2010	**124 426**	**116 420**

	June 2010 US$	December 2009 US$
6.4 Reinsurance payables		
Reinsurance payables at 1 Jan 2010	234 617	-
Premiums ceded during the period	1 013 414	635 023
Reinsurance paid	(741 059)	(400 406)
	506 972	234 617
6.5 Net claims		
Gross Claims incurred	151 128	264
Reinsurance claims	(74 620)	(69)
Claims incurred but not yet reported	9 134	3 460
	85 642	3 655
6.6 Net commissions		
Commission received	225 126	55 601
Commission paid	(214 884)	(27 133)
Deferred commission	(2 942)	(33 083)
	7 300	(4 615)
7. ORDINARY SHARE CAPITAL		
7.1 Authorised share capital		
5 000 000 Ordinary shares of $0.05 each	250 000	-
Issued share capital		
1 000 000 Ordinary shares of $0.05 each	50 000	-
7.2 Share premium		
Balance as at 1 January 2010	381 688	381 688
Redenomination share capital	50 307	-
	431 995	381 688

The Board of Optimal Insurance Company (Private) Limited called on shareholders to subscribe for 10,000 ordinary shares on 1 (One) rights offer share for every 100 (one hundred) held to finance the purchase of an IT system and working capital. 7,068 rights were followed and US$ 381,688 was raised but the shares had not been allotted as at 30June 2010.

	June 2010 US$	December 2009 US$
8. DEFERRED TAX		
Opening balance	61 050	-
Temporary differences	43 587	61 050
Deferred tax at 30 June	104 637	61 050
9. TAXATION		
Deferred tax	(43 587)	-
Withholding tax	531	-
Income tax	135 350	1 806
	92 294	1 806
10. BALANCES WITH BANKS AND CASH		
Cash at bank	104 787	75 704
Cash on hand	1 657	662
	106 444	76 366
11. INSURANCE RECEIVABLES		
Due from policyholders	828 363	240 466
Bad debts written off	-	(50 226)
Provision for bad debts	(37 710)	(128 187)
	790 653	62 053

12. MATURITY PROFILE

The table bellow summarises the maturity profile of the financial assets and financial liabilities of the Company based on remaining contractual obligations including interest receivable. For insurance contract liabilities and reinsurance assets maturity profile are based on estimated timing of net cash outflows from the recognised insurance liabilities. Unearned premiums and reinsurer's share of unearned premium have been excluded from the analysis as they are not contractual obligations.

Insurance and financial risk

	Demand US$	Up to 1 Month US$	3 months to 1 year US$	1 year to 5 years US$
Held to maturity financial assets	-	368 253	-	-
Cash and cash equivalents	106 444	-	-	-
Financial assets at fair value through profit and Loss	-	-	118 859	-
Reinsurance assets	76 248	10 518		
Insurance receivables		790 653		
Other receivables		26 243		
Total assets	**182 692**	**1 195 667**	**118 859**	**-**
Insurance payables		506 972		
Trade and other payables		460 216		
Outstanding claims	77 469			
	77 469	967 188	-	-
Liquidity gap	**105 223**	**228 479**	**118 859**	**-**

13. RISK MANAGEMENT

The primary objective of the Company's risk and financial management framework is to protect the Company's shareholders from events that hinder the sustainable achievement of its financial performance objectives. A board committee (Audit & Risk Management) is set and its mandate is to regularly review and approve of regulatory and other organisational requirements.

Insurance risk
The principal risk the 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 Company 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 Company 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 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.

At 30 June 2010, if provision for claims at that date had been increased by 30% with all other variables held constant, loss after tax for the period would have been US$284,115 higher or lower respectively than the reported position.

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.

An investment committee is set out for the Company and its primary objective is to assess and determine and monitor compliance with set out exposure limits with set out counterparts. This is regularly reviewed for any pertinent changes in the risk environment.

Reinsurance is placed with counterparties that have a good credit rating and concentration of risk is avoided by following policy guidelines in respect of counterparties' limits that are set each year. At each reporting date, management performs an assessment of creditworthiness of reinsurers and updates the reinsurance purchase strategy.

The Company carries out risk surveys before assuming risk on certain policies depending on the risk profile of the insured.
The credit risk in respect of customer balances (policy holders, agents and brokers) incurred on non-payment of premium will only persist during the grace period specified in the policy document until expired. Commission paid to intermediaries is netted off against amounts receivable from them to reduce the risk of doubtful debts.

Amounts due from policyholders and intermediaries

	US$
0-30	**463 393**
31-60	**53 597**
61-90	**70 595**
Over 90 Days	**240 778**
	828 363

The movement in the allowance for impairment in respect of agent and other debtors during the year was as follows:

	US$
Opening balance	**128 187**
Impairment recognised	**(90 477)**
Balance at 30 June 2010	**37 710**

Sensitivity analysis
At 30 June 2010 the Company's' equities were recorded at their fair value of US$118,859. It is estimated that a 20% increase in each stock's price would increase profit before taxation to US$163,618. A hypothetical decrease by 20% would have decreased profit before tax by US$23,772.

Liquidity risk
Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial instruments.
The following policies and procedures are in place to mitigate the company's exposure to liquidity risk:-
a) Set guidelines on asset allocation,
b) Portfolio limit structures and maturity profiles of assets in order to ensure sufficient funding available to meet insurance and investment contracts obligations.

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 DAC and by subsequently establishing a provision for losses arising from liability adequacy tests. Any DAC written off as a result of this is not reinstated.