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Telephone: 263 9 70035/70398
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AUDITORS

PricewaterhouseCoopers, Chartered Accountants (Zimbabwe)

LEGAL ADVISORS

Sawyer & Mkushi
Gill, Godlonton & Gerrans
Cheda & Partners - Bulawayo

BANKERS

CBZ Bank Limited
FBC Bank Limited

BANK SECRETARY

K Kanguru
IDBZ House, 99 Rotten Row
Harare, Zimbabwe
Telephone: 263 4 750171-8
Fax: 263 4 749012

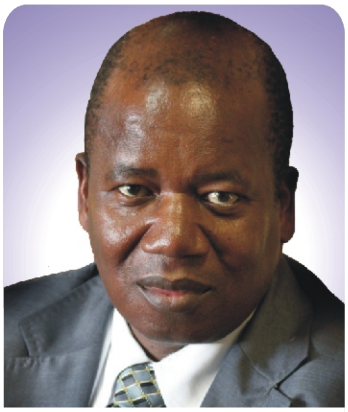
Shareholder	Shares Held	%age
Government of Zimbabwe	2,018,604	86.59397%
Reserve Bank of Zimbabwe	304,408	13.05848%
ZIMRE Holdings Limited	8,001	0.34323%
Staff Share Trust	78	0.00337%
Fidelity Life Assurance Company of Zimbabwe Limited	6	0.00026%
Finnish Fund for Industrial Cooperation	5	0.00023%
African Development Bank	4	0.00017%
German Investment & Development Company	3	0.00013%
Netherlands Development Finance Company	3	0.00013%
European Investment Bank	1	0.00004%
TOTAL	2,331,114	100.00000%

BOARD OF DIRECTORS

Mr WL Manungo
Chairman

Mr C Chikaura
Chief Executive Officer

Eng V Choga



Eng N Kudenga

Col (Rtd) J Mhakayakora

Dr SS Mlambo

Mrs M Sangarwe

Mr C Tawha

Audit Committee
V H Choga – Chairman
N H C Chiromo
J Mhakayakora
SS Mlambo

Corporate Governance Committee
N Kudenga - Chairman
V H Choga
SS Mlambo
M Sangarwe
C Tawha

Human Resources Committee
J Mhakayakora – Chairman
C Chikaura
N Kudenga
E Jinda
M Sangarwe

Investment Committee
W L Manungo – Chairman
C Chikaura
V H Choga
N Kudenga
J Mhakayakora
SS Mlambo
M Sangarwe
C Tawha

Risk Management Committee
J Mhakayakora – Chairman
C Chikaura
M Sangarwe
C Tawha

EXECUTIVE MANAGEMENT

Charles Chikaura
Chief Executive Officer

Cassius Gambinga
Executive Director – Finance

Alexious Machimbirike
Acting Director – Infrastructure Projects Division

Norbert Munengwa
Assistant Director – Private Sector Projects Division

Desmond Matete
Executive Director – Legal & Corporate Advisory Services

Francisca Zinyemba
Executive Director
Corporate Strategies & HR

VISION

The Vision of the Bank is to be the preferred provider of development and related finance for economic growth and social transformation in Zimbabwe and the region.

MISSION

The Mission of the Bank is to champion infrastructure development through effective mobilization of appropriate resources for sustainable socio-economic development.

CORPORATE VALUES

In carrying out its Vision and Mission, the Bank's operations will be underpinned by the following values:

- **Integrity.** This forms the Bank's core value as it undertakes its work in a transparent and honest manner, which nurtures trust and client confidence as we deliver value to customers.
- **Professionalism.** In pursuit of our specialist mandate, the Bank's work will be anchored on high quality, expert application, knowledge and proficiency.
- **Team Work.** Our work mainly comprises collaborative efforts to harness value-driving partnerships through deliberate co-operation with various stakeholder groups.
- **Service Orientation.** Development banking is about sustainable value delivery to the community. Our focus is thus geared towards optimal service delivery to our clients.
- **Social Responsibility.** Deriving from the Bank's statutory mandate, IDBZ's activities are centred on developmental interventions to communities and the public at large with a view to improving the living standards of the population of Zimbabwe.

The Infrastructure Development Bank of Zimbabwe mandate and corporate objectives are stated in the establishing statute, the Infrastructure Development Bank of Zimbabwe Act [Chapter 24:14]. These are stated as follows:

☒ the mobilization of debt and equity funds from both internal and external sources drawn mainly from private and public sector investor-institutions, to include Government and quasi-government institutions for investment in infrastructure projects.

☒ the promotion of economic development and growth through investment in infrastructure development in all sectors such as energy, housing, water, agriculture, transport, information communication technology and other infrastructure critical for national development;

☒ to development institutional capacity in business undertakings and enterprises of all kinds in Zimbabwe through enhanced capacity-building and utilization;

☒ the overall improvement of living standards and quality of life of Zimbabweans through the development of infrastructure which includes roads, dams, water reticulation, sewerage, housing, technology, and other amenities and utilities for both urban and rural communities;

Introduction

The year under review was a challenging year for the Group which saw a reversal of the gains achieved in the year 2010. Although the IDBZ achieved trading results that were ahead of budget, the performance was way below record breaking results achieved in the prior year.

Economic environment

After posting an 8.1% growth rate in 2010, real economic growth rose to an estimated 9.3% in 2011, the highest growth rate in the SADC region and the second highest in Africa after Ghana. Globally, Zimbabwe was among the top ten fastest growing economies in 2011. The strong economic growth recorded in 2011 notwithstanding, the country's full growth potential in 2011 was constrained by:

- Limited fiscal space;
- Infrastructure gaps, especially power and transport;
- Liquidity shortages;
- Limited financial flows, both foreign direct investment and offshore lines of credit;
- Political uncertainty.

Year-on-year inflation rose from 3.2% in December 2010 to 4.9% in December 2011, as both food and non-food inflation increased. Looking ahead, inflation is expected to remain in single digits in 2012, although average inflation is projected to rise to 5% for the year 2012 to reflect a relatively poor agricultural season and increases in international oil prices, among other factors.

The banking sector continued to capitalise on the stable environment ushered in by the Inclusive Government and the adoption of the multi-currency system. Reflecting this positive development, total deposits held by the banking sector (adjusted for interbank deposits) rose by 34.8% from US$2.3 billion in 2010 to US$3.1 billion in 2011. Deposits, however, remained short-term, making it difficult for banks to extend long term finance for capital investments and infrastructure projects. In line with the growth in the deposit base, domestic credit was also on an upward trend in 2011, rising by 64.7%% from US$1.7 billion in 2010 to US$2.8 billion in 2011. The bulk of the credit went to distribution (21.9%), agriculture (20.6%) and manufacturing. Loan to deposit ratios continued to improve, rising from 65% in December 2010 to 78.4% in December 2011. Despite the growth in deposits, lending rates remained relatively high during the period under review.

On the capital market, both the Zimbabwe Stock Exchange's industrial and mining indices declined in 2011, against the background of low market liquidity levels, low disposable incomes in the economy and net selling by foreign investors.

Infrastructure Investment

In July 2011, Government launched its five year Medium Term Plan (MTP). The MTP seeks to build on the progress achieved under the STERP I and STERP II. In recognition of the centrality of infrastructure in economic development, the MTP correctly identified infrastructure development as one of 10 key national priorities to be pursued under the programme. To guide the country's infrastructure development, Government will develop a National Infrastructure Development Master Plan in consultation with key stakeholders. The Bank is positioning itself to play a pivotal role in mobilizing resources necessary for the realisation of the Plan's infrastructure objectives.

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Through its advisory and monitoring role, the Bank continues to play a critical role in ensuring that the Government's infrastructure rehabilitation programmes are efficiently and cost effectively implemented. In this regard, the IDBZ was involved in Government funded infrastructure related projects in the energy sector, the housing sector, water and sanitation, road rehabilitation, railway rehabilitation, airport modernization and rehabilitation, dams construction among others. The institution continues to play its part in spearheading resource mobilisation for various projects which Government is undertaking.

Other Developmental Activities

In line with its developmental mandate, IDBZ continued to support the private sector with working capital requirements. An agribusiness window was also created and capitalized to support agriculture. The Group also manages the Youth Development Fund which is funded by government. The fund provides loans to small scale youth projects with potential to create employment.

Financial Performance

The Group's financial performance for the year under review was lukewarm. The institution recorded total comprehensive income of US$1.2 million which was ahead of budget, but significantly below the prior year result owing to the declining interest margins and against the backdrop of a reduced loan book, the result of the tight liquidity situation that prevailed during the year and continues to pose challenges to economic growth. The operations of the Group continue to be hamstrung by the adverse effects of the non- performing legacy foreign debt. A weak balance sheet continues to constrain the Group's capacity to underwrite projects and to mobilize resources.

Dividend

The Group is committed to a policy of rewarding shareholders for their continued support to the institution. For the financial year under review, the Board has recommended a final dividend of US$0.21 per share on the issued ordinary shares.

Capitalisation

The Group's capitalization remains a key strategic issue for the institution. A rights issue conducted during the year raised US$9 million in new capital for the institution. The support of the majority shareholder was critical in the success of this fund raising initiative. The Group's operations, however, continued to be weighed down by high gearing as a result of the US$37 million legacy foreign debt. The Group is working with Government to restructure the debt by hiving it, together with matching assets, into a stand-alone Special Purpose Vehicle. Freed from this debt the opportunities available to the Group to mobilize resources from internal and external sources for infrastructure projects are immense.

The Group will continue to court regional and international development finance institutions to take up equity in the institution in order to broaden the shareholder base and sources of funding, thereby enhancing its capacity to raise debt capital to fund the huge pipeline of infrastructure projects.

Strategic Alliances

IDBZ is a full member of the SADC Development Finance Institutions network. By virtue of this membership, the Group has continued to access capacity building training programmes and resources that have benefitted not only its staff but a wide spectrum of public sector entities.

The Group was nominated by the Government of Zimbabwe to represent Zimbabwe's interest at Norsad Finance Limited. This strategic alliance is expected to place the IDBZ in a better position to mobilize funding for the SME segment, thereby addressing the huge funding gap for clients in that sector.

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A number of other noteworthy strategic alliances were concluded with other development finance institutions (DFIs) in the region and private sector institutions specializing in development finance and advisory service. The Group hopes to leverage on these relationships as it seeks to raise both debt and equity capital to finance infrastructure and other developmental projects.

Corporate Governance

The Group subscribes to the principles of sound corporate governance and ethical standards in the conduct of the institution's affairs. The Board regularly reviews its governance structures to ensure conformity to international best practice, and as a minimum to ensure adherence to recommendations of the King II and III Reports on corporate governance as well as Government of Zimbabwe's corporate governance principles for state enterprises and parastatals ("SEPs"). The Board has constituted a number of board committees, including the Audit Committee, as specialist organs to assist the board in its oversight role. The Board and the various committees meet regularly, and at least quarterly to discharge their mandates.

The Minister of Finance is currently considering the Board's recommendations regarding the filling of vacant board positions to ensure compliance with the IDBZ Act (Chapter 24:14).

The principle of triple "P" bottom line (Profit, People and Planet) will increasingly define the IDBZ conduct of business going into the future.

Outlook

The Group will increase focus on the key mandate of infrastructure development by leveraging on its key competencies in advisory service and project management. Through internally generated resources, IDBZ will also embark on some housing projects. Support for the resurgent agriculture sector will also increase.

In undertaking its assigned roles in the various projects and programmes, the Group will be guided by the principle of financial sustainability and maximization of economic and social impacts. Notwithstanding the global recession, the Bank expects to record a modest profit for the year 2012 in line with its strategy of growing shareholder value.

Appreciation

Against a background of undercapitalization and a weak statement of financial position, the Group has once again posted good results. I wish to commend management and staff for a job well done! The support of our valued customers and other stakeholders was key in the good financial performance recorded. I would like to thank them most sincerely and it is my hope that these mutually beneficial relationships will continue to grow from strength to strength.

My colleagues on the Board have been a source of inspiration and strength, and I would like to thank them for their wise counsel and judicious stewardship of the Bank's affairs. On behalf of the Board, management and staff, I wish to extend my appreciation to the Shareholders, especially Government of Zimbabwe as the major shareholder, for their confidence and unwavering support.

W L Manungo
Chairman

Introduction

The Group produced a commendable set of financial results for the year under review. This was possible in spite of the challenging operating environment characterized by low liquidity, falling interest margins, high rate of non-performing loans and high cost of utilities and other services. The global recession, with its epicenter in the United States of America and Euro zone, had serious knock on effects on the economic performance of emerging economies, and Zimbabwe was not spared. The negative effects of the US$37 million non performing legacy foreign debt in terms of interest and penalty charges as well as unrealized exchange losses exacerbated the situation, making the case for removal of the debt from IDBZ books more urgent if the Bank is to realize its full potential and contribute meaningfully towards the country's socio-economic transformation.

Economic Overview

During the year under review, the country experienced its third successive year of positive economic growth with GDP estimated to have gone up by 9.3%. This followed economic growth rates of 5.7% in 2009 and 8.3% in 2010. Although impressive by global standards, the growth should be viewed in the context of more than a decade of economic decline which peaked in 2008, and which led to fundamental and far reaching economic reforms, culminating in the introduction of the multicurrency system at the beginning of 2009, and the concomitant suspension of the Zimbabwe Dollar as the country's legal currency. Sound macro-economic policies, anchored on the Short Term Emergency Recovery Programme (STERP I- March 2009), the Three Year Macro-Economic Policy Framework (STERP II-2010), and Medium Term Plan (MTP 2011-2015), were introduced. The above notwithstanding, the economy is still projected to grow by 9.4% in 2012 led by the financial sector which is projected to grow by 23%, mining (15.9%), tourism (13.7%) and agriculture (11.6%).

The country's inflation remained subdued in 2011, averaging 3.4% compared to 4.21% in 2010. This has been attributed to a stable multi-currency environment and tight liquidity situation that prevailed during the year. Zimbabwe's inflation was the lowest in the region, which saw the region's economic powerhouse South Africa recording 6.38%, Zambia (7.2%), Malawi (9.8%), Botswana (9.2%) and Namibia (6%). The country's inflation compared very well with both the United Kingdom and United States that ended the year at 4.2% and 2.96% respectively. The strengthening United States Dollar and falling commodity prices are expected to dampen inflationary pressures in the country going forward.

Despite the progress made on the inflation and GDP growth fronts, the economy still faces challenges relating to power, liquidity, obsolete equipment, external debt overhang, low aggregate demand, skills gap, high unemployment and infrastructural decay.

The manufacturing sector is projected to have grown by 3.5% in 2011 and poised to register 6% increase in 2012. Capacity utilization continues to improve albeit at a slow pace due to limiting factors that include, low demand, machine breakdown, lack of working capital, raw material constraints, obsolete equipment, power shortages and prohibitive labour costs. Industry capacity utilization averaged 57.2% in the first half of 2011. The textiles and ginning industry, paper printing, transport equipment, leather and footwear sectors were the hardest hit due to numerous challenges, with some companies operating at 19% capacity utilization. Job losses are still more pronounced in these sectors.

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Banking sector deposits increased from US$2.3 billion in 2010 to US$3.1 billion in 2011. However, short term deposits, which comprise of demand, savings and under 30-day deposits, constituted 89.3% of the total deposits in the banking sector as at 30 November 2011. The impressive growth in bank deposits could not, however, translate into improved liquidity and cheaper funding for the country's productive sectors. The absence of the lender of last resort function by the Reserve Bank of Zimbabwe did not help matters either. The nominal lending rates as at end of October 2011 quoted by banks ranged between 8% and 32% with most banks quoting lending rates of around 20%. Time deposit rates, however, ranged between 0.15% and 17%. The loan to deposit ratio improved to 87.4% from 65% in 2010, indicating a high level of support to the productive sectors by the banking sector.

The short term nature of deposits, coupled with the country's inability to attract significant levels of foreign direct investment ("FDI") and lines of credit, has severely constrained the country's ability to mobilize long term finance to support infrastructure rehabilitation, retooling and modernization by industry and other economic sectors.

Recapitalization

The Group remained under-capitalized during the year under review, largely due to the size of the legacy foreign debt which stood at US$37 million as at 31 December 2011. Although IDBZ managed to raise US$9 million through a rights issue that was conducted in November 2011, the impact of this capital injection on the balance sheet was limited due to the foreign debt overhang. The legacy foreign debt has severely hampered the institution's ability to mobilize both debt and equity capital to support its core mandate of infrastructure development. In response to this constraint, Government is now considering a proposal approved by the Board in November 2011 which seeks to hive off the foreign debt from the IDBZ balance sheet into a stand-alone Special Purpose Vehicle ("SPV").

The weak balance sheet notwithstanding, the Group was able to secure a US$30 million line of credit from China Development Bank ("CDB"). This, coupled with a US$10 million line of credit secured under the Zimbabwe Economic Trade and Revival Fund ("ZETRF") facility, will go a long way in strengthening the Group's capacity to underwrite business.

In December 2011 the IDBZ was nominated by Government of Zimbabwe to represent Zimbabwe's interest in NORSAD Finance Limited, a development finance institution which specializes in financing small to medium sized enterprises in SADC. Shareholding in NORSAD Finance Limited is split between SADC and Nordic development finance institutions. This acquisition will place the IDBZ in a better position to mobilize funding for the SME segment, thereby addressing the huge funding gap for clients in that sector.

Negotiations regarding the proposed equity investment in the Group by a foreign development finance institution continued during the year under review. Despite the slow progress on the matter, the Group is hopeful of concluding and tying up this funding initiative soon.

New IT system

During the year, the Bank acquired a new core banking system, Rubikon System, from Neptune at a cost of US$850,000 to replace the Leasepac System which could no longer meet the growing business needs of the organization as it had serious limitations in handling loan transactions and web based products. The Rubikon Banking system is a robust and web based system that has many advantages over the Leasepac system.

An additional US$265,019 was spent on hardware upgrade to meet the Rubikon System specifications. The core banking system is now fully operational, with additional modules, Internet Banking and Trade Finance, set to be implemented during the first half of 2013.

Operations review

Due to the absence of long term funds in the market, the Group's significant lending activities were in the short end of the market, namely supporting corporate entities with working capital for short periods consistent with the short term nature of the available funding. The Group's activities in infrastructure related projects largely focused on project management and advisory services and financing to a very limited extent.

Private sector projects

Private Sector Projects Division of the Group caters to the financial needs of the corporate sector by availing short to medium term loan facilities to companies for their working capital and capital expenditure requirements. The division houses the Corporate Banking Unit, the International Banking Unit and the Agri-business Unit.

i. Corporate banking

During the period under review approved loan facilities stood at US$88 million, whilst utilization was US$32.4 million. The demand for funding was high throughout the year, which the Group was unable to satisfy owing to the high cost of funds as well as the tight liquidity in the market. The performance of the loan book was satisfactory, and the bad loan book was kept within acceptable limits. The bulk of the loans are adequately secured in line with the Group's lending policies and policy on security.

Due to the absence of long term funds in the market, the Group was unable to fund any medium term projects. The availability of lines of credit will be critical for the revival of medium term lending. In that regard, IDBZ is proud to have secured a US$30 million line of credit from China Development Bank. Part of the facility is earmarked for medium term lending with tenors of up to five years.

ii. International Banking

The unit was created to expand the Group's product range and service delivery channels, especially following the acquisition of full authorized dealership license by the institution in 2011, and the recent implementation of a new core banking system. In the context of the Group's overall vision, the unit champions the efficient and cost effective provision of financial products, advisory services as well as a reliable portal for making local and international settlements through secure financial telecommunication channels. The unit is expected to play a prominent role in the Group's resource mobilization drive.

iii. Agri-business

Agriculture is one of the economic sectors that has significantly contributed to the economic growth and social transformation of the country, and is expected to continue to underpin the growth trajectory in the short to medium term. In order to support this important economic sector, the agribusiness unit was strengthened and capitalized.

As at the end of the reporting period, the agribusiness loan book had grown from zero to US$1,176,000.00 with utilization of US$579,150. The portfolio comprised 74% to maize production, 12% horticulture, 8% tobacco and 3% poultry production projects.

Support to the sector will continue to grow subject to the availability of appropriate funding.

Treasury operations

The Treasury Unit continues to play a pivotal role in mobilizing financial resources for the Group's short term needs apart from its other functions of cash and liquidity management, and asset and liability management. In the

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absence of the lender of last resort, and with limited interbank market activity, the Treasury Unit shouldered the responsibility of ensuring that the Group honoured all its maturing obligations, and thus positioning IDBZ as a reliable counterparty in the interbank market.

The Group maintained a conservative liquidity management approach which ensured that the statutory liquidity ratio of 10% was maintained. As a result, the institution met all its maturing obligations to customers and disbursements to projects.

Special programmes

In line with its development mandate, the Group is involved in the implementation of a number of Government programmes aimed at resuscitating the national economy and improving the living standards of people and communities. The Group continued to manage the Youth Development Fund which was set up by Government to champion youth development and empowerment programmes. A total of 88 projects were approved for funding under the facility; US$88,300 was disbursed to these projects, creating a total of 407 new jobs. The Ernest Kadungure Piggery in Chivhu was transformed into a standalone project with its own management team. The project has so far benefited 10 youth groups through training. During the year the Bank also won a mandate from the Ministry of Women's Affairs to manage the Women's Development Fund.

Infrastructure projects

The mandate of the Bank requires the institution to champion infrastructure development and financing in support of economic growth and social transformation. However, the absence of long term funds in the market and limited access to offshore lines of credit militated against the Group's full realization of this key mandate objective. Notwithstanding the resource constraints, IDBZ has been active in providing essential and value added project management and advisory services to various government funded infrastructure projects.

i. Advisory services

In performing its advisory services role with respect to public sector projects under implementation, the Group noted constraints in project funding, planning, prioritisation and materials and service provision amongst other areas. In terms of project planning, it was noted that in some cases preliminary and detailed design, preparation of specifications, bills of quantities and/or schedules of materials were not fully done. This had the effect of slowing down project implementation. The Group therefore made recommendations to parent ministries and the Ministry of Finance that complete information such as engineering designs, specifications, bills of quantities and all tender documentation be provided prior to disbursement of funds. In this regard a workshop was organised for implementing agencies to share ideas on addressing these challenges and making sure that projects were more effectively prioritised, planned and implemented.

Although Government's investment in infrastructure through this facility presented an opportunity to revive the local construction industry, contractors and suppliers by and large lacked capacity to effectively play their role. This capacity was lost during the economic challenges of 2000 to 2008 and the subsequent change over to the multi-currency system. The Group therefore recommended that, subject to securing bank guarantees, Government pre-pays for materials locally produced in order to capacitate both the local industry and contractors whilst limiting imports of the same. Limited success was registered in this regard as most local companies failed to

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provide bank guarantees. Through the Group's advice and facilitation, arrangements were made with local manufacturers to supply contractors prior to payment. Funds would then be released for all materials delivered to site within seventy two hours of confirmation of deliveries. This arrangement helped in improving project implementation progress as well as capacitating manufacturers and supplies to effectively play their role.

ii. **Projects under management**

Prior to allocation of Special Drawing Rights ("SDR") Funds across sectors, Government consulted the Group and other stakeholders on the most optimal allocation criteria. The general recommendation adopted by Government was that preference should be given to those sectors which facilitate rapid economic recovery and growth. These sectors, labelled enablers, include Energy, Transport, Information Communication Technologies and Water. These sectors are considered to have products and services with critical cross sector impacts and knock-on effects on the rest of the economy.

a. **Rehabilitation of Hwange & Kariba Power Stations**

The project is being undertaken as part of a battery of measures designed to address the serious power shortages in the country which is caused by insufficient generation, transmission and distribution capacity by the country's power utility. Only 1 000 MW is currently available from the installed generation capacity of 1 940 MW, and against a national peak demand of 2,200 MW. Power is a key enabler for investment in all sectors of the economy, hence the priority government has accorded to the rehabilitation and expansion of power generation capacity in the country.

Whilst the entire project requires in excess of US$125 million, due to budgetary constraints, only US$25 million was allocated in 2010 which has all been utilized over the period 2010 and 2011. The project involved rehabilitation of Hwange and Kariba Power Stations by procuring and installing major spares, fire system upgrade, and operations and maintenance support services.

Additionally, government entered into a co-financing arrangement with Zimbabwe Power Company (ZPC) with the government contributing US$55 million whilst ZPC contributed US$31.5 million. As at 31st December 2011 US$44 million had been disbursed towards the rehabilitation of Hwange Power Station under this arrangement.

b. **Information, Communications Technologies (ICT) Projects**

Government is championing the setting up of national telecommunications backbone infrastructure in order to facilitate improved access to business and social communication services and international communication. The project entails building an optical fibre backbone connecting the major cities in Zimbabwe and integrating this network with existing optical fibre system. The backbone project is expected to cost in excess of US$60 million. However, different routes of the network are currently being independently developed by public and private sector entities.

The Bulawayo – Beitbridge Optical Fibre project, which is being implemented by TelOne and involves trenching, optical fibre

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laying, back-filling over 450 kilometres, transmission equipment installation and training. An allocation of $15 million was made to the project. The project is expected to be completed by 31 December 2012.

c. **Transport projects**

i. **Roadway projects**

The Group is involved in the implementation of the Harare-Skyline (5.7km) and Harare –Norton (10.0km) road dualisation projects as well as construction of Mukuvisi and Manyame Bridges respectively. The road projects are programmed for completion by 31 December 2012.

ii. **Rehabilitation of railway infrastructure**

The project involves procurement and installation of railway infrastructure materials, equipment, components and fittings in order to rehabilitate the dilapidated rail infrastructure network. The priority areas in need of urgent attention include the 450 km of track under cautions, signaling and communication and rolling stock.

In 2011 the project was allocated $15 million and 87% of the funds were used as at the end of the year. This amount is however insignificant when considered against a funding requirement of more than $250 million just to rehabilitate rail network alone (excluding rolling stock and communication infrastructure). Works are in progress on most project activities as materials and equipment purchased in the early part of 2011 have now been delivered.

iii. **Rehabilitation of Harare International Airport Runway and Taxiways**

The rehabilitation of Harare International Airport runway and taxiways was planned to be implemented in two phases with an initial total budget of US$28 million for the two phases. The total cost to completion is now estimated to be US$41 million. Programmed Phase I works were completed on 31 August 2011. Phase 2 works are expected to be completed by December 2012.

iv. **Rehabilitation and Upgrading of J.M. Nkomo Airport**

The programmed works at the J.M. Nkomo Airport in Bulawayo include partitioning and other finishes, procurement and installation of baggage handling systems, installation of specialist equipment, construction of a new tower, power supply and car park for a total cost US$20.304 million, all of which has been disbursed.

A technical audit was conducted on the project to verify increased project costs. The project will resume upon adoption of recommendations in the technical audit report.

d. **Water and Sewer projects**

i. **Bulawayo City Council**

The project involves the rehabilitation of the sewer and water treatment works and the distribution system. An amount of US$6.47 million was allocated to the project and a total of US$3.4 million had been disbursed by 31st December 2011.

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Ii. **Marondera Municipality**

The project involves the rehabilitation of the sewage and water pump stations, water reticulation, sewage stabilization ponds works and water treatment works. The municipality was allocated $2.9 million and managed to utilise US$1.6 million during the year ended 31st December 2011. The Municipality plans to complete the project by March 2013.

iii. **Mtshabezi Pipeline Project and Mutoko Water Supply Project**

The Mtshabezi Pipeline Project involves the construction of a 46.5 km pipeline from Mtshabezi to Mzingwane, reservoirs, pump stations, balancing tanks and roadways. The project also includes construction of permanent roadways to selected locations along the pipeline. A total amount of US$20 million was allocated which is not enough to complete the main works. An additional US$3.6 million will be required. The programmed project completion date is now 31 October 2012.

The Mutoko water supply project involves the construction of a 2000 cubic metre reinforced concrete water reservoir. The reservoir will serve the expansion of a medium density housing scheme in Mutoko Rural District Council. An allocation of $7.2 million was made to the projects. The project was completed in 2011.

iv. **Construction of Bubi-Lupane Dam**

The project involves the construction of a homogeneous earth embankment with a crest length of 627 meters and a maximum height of 20 meters. A 5km access road will be constructed to lead to the embankment crest and treatment plant. Preliminary works include temporary housing, office, workshops and stores, access roads for the transportation of materials. The project also includes the relocation of the local school. Expenditure as at 31 December 2011 stood at US$4.5 million against an initial contract sum of US$3.6 million and a national budget allocation of US$3.1 million.

v. **Tokwe-Mukorsi Dam**

The project involves construction of a rockfill main dam, five saddles dams, and access roads. A total of US$46.9 million had been spent on the project by 31 December 2011. The project is expected to be completed in December 2013.

vi. **Mutange Dam**

The project involves construction of an earth fill main dam. The total contract sum is US$8.5 million against a budget provision for the year of US$2.8 million. A total of US$1.7 million had been utilized by end of December 2011.

e. **Institutions of Higher Education**

Four state universities, namely Midlands State University, Chinhoyi University of Technology, Bindura University of Science Education and Masvingo State University, were each availed US$7.5 million for the construction of a Students Hall of Residence. Work is currently in progress.

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F. Other Major Projects under Development

i. Beitbridge – Harare – Chirundu Road Upgrade and Tolling Project

Project preparation work on this long-term project continued into 2011 for both the Harare – Chirundu/Harare Ring Road and Harare – Beitbridge segments of the highway. In the first half of the period under review Stewart Scott Zimbabwe undertook a feasibility study of the Harare-Chirundu road. The final feasibility report was submitted to Government in October 2011 and now awaits decision on the option to be adopted, leading to resource mobilisation and construction. With regard to the Harare – Beitbridge stretch, the feasibility study is yet to be undertaken, although funding for that purpose was successfully secured from the Development Bank of Southern Africa in the second half of the year. In the same period the Group was also tasked to identify two competent firms, one local and the other foreign, to act as financial advisors for the project. The Group's recommendation has been forwarded to Government and an announcement will be made in due course. The Group also successfully set up, on behalf of Government, a project Special Purpose Vehicle ("SPV") which will take over the day-to-day operational issues of the Project.

ii. Municipal and Housing Projects

The Group approved two loan facilities of $2 million for roads rehabilitation and $1.7 million for traffic lights upgrade and expansion to the cities of Bulawayo and Mutare respectively. The loans are expected to be disbursed in 2012.

Financing arrangements for Phase 11 of the Graniteside Park Flats Development project are at an advanced stage. These are expected to be concluded in 2013 and construction work will start thereafter.

Consolidated Financial Results for the Year Ended 31 December 2011

Consolidated Statement of Comprehensive Income

Net interest income for the year was US$9.9 million (2010:US$5.4 million), an 83% increase from prior year. The Group continues to be saddled with non performing legacy lines of credit inherited from Zimbabwe Development Bank ("ZDB") which carried an interest charge of US$2 million against interest income. In spite of the interest expense on the legacy debt, the Group's net interest margin increased to 67% (2010:50%). The improved margins were buttressed by the dilution effect on high interest cost of money market with government funds as well as effective management of cost of funding by the Group. Net interest income after credit impairment charges increased by 69% from 2010.

Loan impairment charge was US$5.7 million (2010:US$2.9 million). The Group has prudently increased the allowance for credit losses in light of the general poor credit performance by borrowing clients in the market.

During the period under review, the Group had a fair value gain on investment property of US$1 million. Fees and commission income for the year amounted to US$2.9 million, a significant increase of 98% from the previous year (US$1.5 million) and reflected the Group's increasing focus on infrastructure related advisory service business.

Operating expenses were US$8.6 million (2010:US$5 million), an increase of 72% for the year. The increase in costs was mainly driven by staff related costs resulting from alignment of salaries to market in order to retain staff as well as increase in business that the Group had underwritten.

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The Group recorded a profit for the year of US$1.2 million (2010:US$4 million).

Consolidated Statement of Financial Position

The Group's balance sheet declined from US$121 million in 2010 to US$83 million in the year under review. The Group leveraged on the Government which continued to support the Group through deposits and infrastructure advisory mandates. The Group has engaged Government for the hiving-off of the legacy debt amounting to US$37 million through a bill of parliament and the proposal is under active consideration by Government. Without the legacy debt, the Group would be adequately capitalized.

There was a significant improvement in the Bank's capital position following a rights issue which raised US$5 million, and retained income (US$1.2 million), hence the improvement from the negative equity of US$20 million in 2010 to a negative equity position of US$14 million in the year under review.

Consolidated Statement of Cash Flows

The Group cash balances stood at US$23.7 million (FY2010, US$54 million) reflecting the relative decline in public sector deposits as a result of limited funding on the fiscal budget. During the period under review, the Group availed US$1.1 million to fund the acquisition of property and equipment and software. The Group's shareholders injected US$5 million in additional capital to strengthen the financial position of the Group, while a dividend of US$0.5 million was paid during the year.

Human Capital and Capacity Building

As a knowledge-based institution, the Bank devoted substantial resources in upgrading the skills base in the key mandate drivers of infrastructure development and resource mobilization. This was achieved through recruitment of appropriate skills as well as providing tailor made skills development programmes to key staff who are charged with driving the Bank's mandate. In collaboration with the SADC- Development Finance Resource Centre ("DFRC"), the Development Bank of Southern Africa ("DBSA"), and the Industrial Development Corporation of South Africa ("IDC"), the Bank organized training and capacity building programmes in the areas of project finance and financial modeling, risk management, public private partnerships (PPP), and project preparation, monitoring and evaluation. The capacity building programmes were mainly targeted at government implementing agents, and were in response to the needs of these organizations.

Outlook

Despite the challenging business environment, management remains optimistic and confident about the Group's prospects in the medium to long term. As the economic stabilization takes root, the core mandate of infrastructure development will increasingly underpin the Bank's operations. In that regard, capacity building and resource mobilization from both internal and external sources will remain key focus areas.

C Chikaura
Chief Executive Officer

IDBZ was established, and is governed, by an Act of Parliament, the Infrastructure Development Bank of Zimbabwe Act [Chapter 24:14]. The Bank was set up as a successor organization to the Zimbabwe Development Bank ("ZDB"), but with an expanded mandate mainly focusing on infrastructure development as the anchor in further stimulating and supporting the economic and social development of Zimbabwe. In terms of its enabling Act, the Bank is regulated by the Minister of Finance.

Governance framework

Notwithstanding the fact that IDBZ is not licensed or governed in terms of the Banking Act, the Bank consistently observes the Reserve Bank of Zimbabwe prudential lending guidelines and other best practice guidelines promulgated from time to time by the apex bank as it discharges its statutory role of regulating the financial services sector. In addition to this, IDBZ is also committed to the observance of all the tenets of good corporate governance as provided for in the King I I and King I I I Reports on Corporate Governance. In this regard, the IDBZ has put in place governance structures, policies and procedures that are appropriate for its operations. Furthermore, the Group also fully complies with the corporate governance and performance monitoring framework introduced in 2010 by Government for State Enterprises and Parastatals ("SEPs"). In the preparation of financial information, the Group also fully complies with applicable International Financial Reporting Standards ("IFRSs").

Board of Directors

In term section 4 (2) of the Infrastructure Development Bank of Zimbabwe Act (Chapter 24:14), the Board shall consist of no fewer that twelve (12) and not more than fifteen (15) directors. The current Board consists of eight (8) directors, only one of whom is an executive director. The chairman of the Board is a non executive director. The issue of regularizing the board composition to comply with the Act has been brought to the attention the Minister of Finance. In the process of regularizing the board composition, the Minister of Finance has also been sensitized to the recommendations of the King I I and King I I I Reports on board composition, with emphasis on maintaining an appropriate balance between executive and non executive directors. In line with best practice and to comply with government guidelines on State Enterprises and Parastatals ("SEP") boards, a third of the directors who have been in office the longest will retire at each Annual General Meeting, but will be available for re-appointment. The Board is also considering introducing a board member self appraisal system to enhance board effectiveness.

The duties and responsibilities of the Board are outlined in section 4A of the Infrastructure Development Bank of Zimbabwe Act [Chapter 24:14].

The Board is responsible for formulating and implementing policies and strategies necessary for the achievement of the Group's objectives. The Board supervises the overall activities engaged in by the IDBZ ensuring that the Group has adequate control systems to monitor and manage risk, and further that there is an efficient and economic use of the Group's resources. As an overarching responsibility, section 4A (e) of the Act enjoins the Board to formulate and enforce rules of good corporate governance and ethical practices for observance by the IDBZ directors, management and staff. At the first board meeting of the year, each director is required to declare any interest he/she may, directly or indirectly, have in the business of the IDBZ. A director is duty bound to recuse him/herself whenever an issue comes up for deliberation by the board in which the director has a direct or indirect interest.

To effectively discharge its oversight and stewardship over the business operations of the Group, the Board meets regularly and at least once every quarter to conduct business, particularly to review, consider and approve the Group's financial performance, the state and

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management of its financial affairs through budgetary processes, adherence to international accounting standards and practices; lending and risk management policies; resource allocation and utilization; the engagement and supervision of executive management and implementation of high level corporate and business strategy towards the achievement of the Group's overall goals and objectives. For effectiveness and better exercise of its functions, the Board has constituted Board Committees to which it delegates some or certain of its functions, duties and responsibilities. These powers and functions can also be delegated to the Chief Executive Officer, with clear parameters and guidance on how to exercise those delegated functions and/or powers on behalf of the Board. The Board Committees operate under precise terms of reference that are regularly reviewed to ensure they remain relevant and in sync with the Bank's strategic objectives.

In order to support the Board in exercising its functions and responsibilities, the office of the Secretary serves as the coordinating interface between the Management, the Board, Board Committees and Shareholders of the Group. The Secretary is available to give advice to the Board and, as custodian of corporate information and records of the Group, to give access to relevant information, documents and records regarding the operations of the IDBZ. With appropriate clearance from the Board Chairman, any of Board members has a right to seek and obtain, at the Group's cost, independent expert/professional advice on any subject or aspect relating to the business operations of the IDBZ.

Board Remuneration

The remuneration of the Board is determined on basis of market surveys of similar institutions and recommended for approval by the Minister of Finance. The remuneration takes into account the time and effort the board members are expected to devote to the affairs of the IDBZ and must be within the Group's capacity to pay.

Board Committees

For the effective discharge of its functions and in order to enhance oversight on the various areas of the Group's operations, the Board constituted and appointed five (5) Committees which operate under clearly defined areas of responsibility and terms of reference. The Board Committee compositions are set out on page xxx above.

In the discharge of their respective terms of reference, the Board Committees ensure transparency, full reporting and disclosure of key decisions and recommendation of the Committees to the main Board. Members of the Board Committees are able to seek independent professional advice when required subject to the consent of the Board Chairman. The Board has power to appoint to a Board Committee any person(s) for their skill and/or expertise as professionals to become Committee members even though such persons or professionals are not themselves directors of IDBZ. This provision, which is entrenched in the Act, is intended to enhance the effectiveness of Board Committee functions, particularly in areas requiring certain expertise, technical and professional input.

The IDBZ's Board Committees, with brief descriptions, are set out below:

Investment Committee

Chaired by a non-executive director, the Board Investment Committee is made up of all members of the Board.

Audit Committee

The Board Audit Committee is chaired by a non-executive director and is made up of five (5) members, including the Committee Chairman. All members of the Committee are non-executive members; one member is not a director of the IDBZ and was appointed for his skill and experience in finance and audit.

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Corporate Governance Committee
This Committee is at the centre of the Board's emphasis on good corporate governance standards and practices. The Corporate Governance Committee comprises four (4) members, including the Committee Chairperson, all of whom are non-executive directors.

Risk Management Committee
The Risk Management Committee is charged with the responsibility of overseeing the overall risk management processes, enforcement of risk mitigation strategies and procedures in the Group and to keep the Board fully appraised of the major risk areas within the business operations of IDBZ group.

The Committee comprises four (4) members, including the Chairman. Three (3) members, including the Chairman are non-executives, whilst the Chief Executive Officer is the executive member of this Committee.

Human Resources Committee
The Human Resources Committee is chaired by a non-executive director and is made up of five (5) members, inclusive of the Committee Chairman, all of whom, with the exception of the Chief Executive Officer are non-executive directors. One member is not a director of the IDBZ and was appointed for his skill and experience in human resources and organization development.

The Committee is charged with ensuring the prevalence and observance of good labour and employment practices by IDBZ in order that harmonious industrial relations prevail throughout the Group. In this role, the Committee is charged with ensuring that the Group adopts best practice human resources recruitment and compensation policies and that key skills are retained through competitive reward systems.

Board and Committee Attendance

Main Board

Director	10 Mar	21 Jun	28 Jun	23 Aug	15 Sept	7 Nov	%
W L Manungo – Non executive Chairman	√	√	√	√	√	√	100%
C Chikaura – Chief Executive Officer	√	√	√	√	√	X	83%
V H Choga – Non executive director	√	√	√	√	√	√	100%
N Kudenga – Non executive director	√	√	√	X	x	√	67%
J Mhakayakora – Non executive director	√	√	x	√	√	√	83%
SS Mlambo – Non executive director	√	√	√	√	√	√	100%
M Sangarwe – Non executive director	√	√	√	√	x	√	83%
C Tawha – Non executive director	√	√	x	√	x	√	67%

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Audit Committee

Member	9 June	20 Jun	4 Jul	13 Oct	29 Nov	-	%
V H Choga (Chairman)	√	√	√	√	√	-	100%
J Mhakayakora	x	√	x	√	x	-	40%
SS Mlambo	√	√	√	x	√	-	80%
NHC Chiromo	√	√	√	x	√	-	80%

Human Resources Committee

Member	17 Mar	4 May	1 Jun	24 Jun	13 Jul	-	%
W L Manungo	√	n/a	n/a	n/a	n/a		100%
J Mhakayakora (Chairman)	√	√	√	√	√		100%
C Chikaura	√	√	√	X	√		80%
N Kudenga	√	√	x	√	√		80%
M Sangarwe	n/a	√	x	X	√		50%
E Jinda	n/a	√	√	√	√		100%

- Mr. W L Manungo resigned from the HR Committee on 17 March 2011
- Mr. J Mhakayakora appointed Chairman on 17 March 2011
- Mrs. Sangarwe was appointed to the HR Committee on 24 March 2011
- Mr. E Jinda was appointed to the HR Committee on 6 April 2011

Risk Management Committee

Member	10 Feb	12 Aug	-	-	%
J Mhakayakora (Chairman)	√	√	-	-	100%
C Chikaura	√	√	-	-	100%
M Sangarwe	√	√	-	-	100%
C Tawha	√	x	-	-	50%

Key

√ - Attended
X - Apology
n/a - Not Applicable

Corporate Governance Committee
The Corporate Governance Committee did not sit during the period under review.

K Kanguru
Bank Secretary

The Board is responsible for overseeing the Bank's risk exposure as part of the role it plays in determining a business strategy for generating long term value. The Board approves the Bank's strategy, selecting its target markets and defining the level of risk acceptable to the institution.

IDBZ Risk Management Approach

The IDBZ, as a development finance institution, is exposed to various risks which should be managed on an integrated basis bank wide. Different business units within the Bank are responsible for identification, measurement and reporting of various elements of these risk areas, while the aggregation of the Bank's risk profile is done centrally by the Risk Management Unit at an enterprise-wide level.

The Bank has in place a Board-approved Bank-Wide Risk Management (BWRM) framework which guides and informs all Bank activities, processes, procedures, systems and policies which relate to enterprise risk management (ERM). The IDBZ's enterprise risk management framework provides enhanced capability to:

a. **Align risk appetite and strategy**
Risk appetite is the degree of risk, on a broad-based level, that the Bank is willing to accept in pursuit of its goals. Management considers the entity's risk appetite first in evaluating strategic alternatives, then in setting objectives aligned with the selected strategy and in developing mechanisms to manage the related risks.

b. **Link growth, risk and return**
IDBZ accepts risk as part of value creation and preservation, and it expects a return commensurate with the risk. Enterprise risk management provides an enhanced ability to identify and assess risks, and establish acceptable levels of risk relative to growth and return objectives.

c. **Enhance risk response decisions**
Enterprise risk management provides the rigor to identify and select among alternative risk responses – risk avoidance, reduction, sharing and acceptance. Enterprise risk management provides methodologies and techniques for making these decisions.

d. **Minimize operational surprises and losses**
It provides the Bank with enhanced capability to identify potential events, assess risk and establish responses, thereby reducing the occurrence of surprises and related costs or losses.

e. **Identify and manage cross enterprise risks**
The Bank faces a myriad of risks affecting different parts of the organisation. Management needs to not only manage individual risks, but also understand interrelated impacts, and ERM helps in this aspect.

f. **Provide integrated responses to multiple risk**
Business processes carry many inherent risks, and enterprise risks management enables integrated solutions for managing the risks.

g. **Seize opportunities**
Management considers potential events, rather than just risks, and by considering a full range of events, management gains an understanding of how certain events represent opportunities.

h. **Rationalise capital**
More robust information on the Bank's total risk allows management to more effectively assess overall capital needs and improve capital allocation.

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Risk Spectrum

Credit Risk

Credit risk is the risk that the Bank's customers, clients or counterparties default on their loan, accumulated interest or other credit commitments. Default occurs when obligors are not able or willing to pay interest, repay capital or otherwise fulfill their contractual obligations under loan agreements or other credit facilities.

Credit risk is managed by a comprehensive system of credit analysis, credit approval, credit monitoring and review, and credit loss control. The Bank's Lending Policy, which is subject to continuous review, regulates the granting of all credit facilities and aspects of credit risk management.

Credit analysis involves several different activities, like evaluation of the borrower's background, structure, management and ownership, economic environment and position of the borrower, analysis and evaluation of the business plan and submitted cash flow prognosis, evaluation of familiarity, reliability, and credit history of the customer. Credit granting approvals are performed collegially by credit committees i.e. Board Investment Committee and the Management Credit Committee in accordance to the limits established by the Board.

Liquidity risk

Liquidity risk otherwise known as "funding liquidity risk" is the risk that a firm will not be able to meet its current and future cash flow and collateral needs, both expected and unexpected, without incurring losses, materially affecting its daily operations or overall financial condition.

The Management Asset and Liability Committee ("MALCO") forms general liquidity risk management policies. It is responsible for assigning adequate allocations of assets and liabilities and planning the Bank's long-term liquidity profile. The Treasury Unit centrally manages the Bank's liquidity on a day-to-day basis. IDBZ's liquidity strategy also incorporates support to other units in areas of liquidity and capital management. IDBZ's liquidity is affected by the following factors:

- need to fulfill clients' short-term demands on cash and marketable securities;
- asset growth funded by volatile large deposits;
- ability to liquidate market positions.

Market risk

Market risks arise from open positions in interest rate, currency and equity products, all of which are exposed to general and specific market movements and changes in the level of volatility of market rates or prices such as interest rates, credit spreads, foreign exchange rates and equity prices.

Interest rate risks are managed by correlation of asset and liability structure (maturity difference) and by interest-sensitive position. Market risks are monitored in real time by responsible Treasury traders/dealers and daily by Risk Management responsible for reporting to the executive, regular MALCO, Risk Management Committee and Audit Committee meetings.

Sources of interest rate risks at IDBZ:

- re-pricing risk – The difference between the timing of rate changes and the timing of cash flows.
- basis risk - Risk that the spread between instruments of similar maturities will change.
- embedded options risk - borrower options to repay loans and depositors options to make deposits, withdrawals, and early redemptions.

A Liquidity Contingency Plan is in place to ensure efficient management of stress liquidity situations should they arise.

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Operational risk

Operational risk is the risk of loss resulting from inadequate or failed internal processes, procedures, systems, people or from external events. This excludes business risk (speculative) but includes external events such as external fraud, security breaches, regulatory effects, or natural disasters. Operational risk is of non-speculative nature.

The IDBZ Operational Risk Framework includes strategies articulated in concise operational risk policies, an operational risk governance structure, operational risk monitoring, loss recording, reporting and escalation processes and risk reporting structure.

Project risk

This is the collection of threats to the management of the project and hence to the achievement of the project's end results within cost and time. The Project Sponsor/Project Manager may manage these on a day to day basis. This represents all types of project failures, e.g. financial technical, environmental, etc, all of which could not only have a financial impact for the IDBZ but could also expose the Bank to impaired/tarnished reputation

The Bank has in place a system to minimize project risk by ensuring that:

- the Board supports and promotes risk management, understands and accepts the time and resource implications of any countermeasures;
- risk management policies and the benefits of effective risk management are clearly communicated to all staff;
- a consistent approach to risk management is fully embedded in the project management processes;

Strategic risk

Strategic risk is the current and prospective impact on earnings or capital arising from adverse business decisions, improper implementation of decisions, or lack of responsiveness to industry changes. This risk is a function of the compatibility of an organization's strategic goals, the business strategies developed to achieve those goals, the resources deployed against these goals, and the quality of implementation.

The Bank has in place a corporate strategy framework with milestones measured using a balanced scorecard which is reviewed by management and approved by the board annually. The corporate strategy is systematically cascaded down to the tactical and operational levels where implementation takes place, with each unit and unit members having their own balanced score cards derived from the corporate framework.

Reputation risk

Reputation risk 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. An adverse reputation in the market can lead to erosion of the Bank's reputation capital.

IDBZ uses a multi-pronged strategy to manage this risk, with the public relations and corporate communications department as the champion. The Bank employs corporate governance best practices and adheres to the values of professionalism, integrity, ethics, transparency and accountability in the market place, the workplace and the community at large.

Legal and compliance risk

This is the risk of legal or regulatory restrictions, material financial loss, or loss of reputation the Bank may suffer as a result of its failure to comply with laws, regulations, rules, related self-regulatory organisation standards, and codes of conduct applicable to its banking and other activities.

IDBZ has in place a legal services and advisory

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department, which together with the Risk and Compliance department identify, assess and monitor the Bank's exposure to legal and compliance risk in its business activities, products, processes, systems and practices.

T Mabuto
Head – Risk and Compliance

The Group is involved in the provision of infrastructure financing and resource mobilization. It also provides short and medium term loan products and advisory services to complement its core mandate.

General Policy Directions of the Minister

In terms of Section 9A(1) of the Act, the Minister may give the Board general directions regarding the policy it is to observe in the exercise of its functions, and the Board shall take all necessary steps to comply with every such direction.

Section 9A(3) requires the Board to set out in its annual report, the terms of every direction given to it in terms of this provision by the Minister and any views or comments the Board expressed on such direction.

During the period under review there were no general directions of a policy nature given to the IDBZ by the Minister.

Authorized and Issued Share Capital

The authorized share capital of the Bank remained at 15,000,000 ordinary shares with a nominal value of US$0.01 each. The issued ordinary share capital increased from 2,153,760 to 2,331,114 following rights issue conducted in November 2011.

Investments

As at the year end, the Group had the following sizeable investments:

Zimbabwe Development Fund Trust	-	100%
Waneka Investments (Private) Limited	-	70%
Manellie Investments (Private) Limited	-	100%
Simtake Investments (Private) Limited	-	92%
Makeup Investments (Private) Limited	-	100%
Norton Medical Investments (Private) Limited	-	60%
Poundstone Investments (Private) Limited	-	100%

The housing projects under Simtake and Makeup were disposed of to the Ministry of National Housing and Social Amenities.

Financial Results for the year

The results for the year are fully dealt with in the financial statements forming part of the Annual Report.

Dividends

The Directors propose a dividend of US$0.21 per share on the ordinary shares for the year ended 31 December 2011.

Corporate Governance and Performance Monitoring System

The Bank fully complied with the Government's recently introduced corporate governance and performance monitoring system for State Enterprises and Parastatals ("SEPs"). The framework requires these entities to submit half yearly reports to Government through their parent Ministries.

Going concern

The financial statements have been prepared using appropriate accounting policies, supported by reasonable and prudent judgments and estimates. The Group carries in its books a foreign debt amounting to US$37 million arising from lines of credit availed to the predecessor organization, the Zimbabwe Development Bank, and the proceeds of such foreign loans were used to fund export oriented local projects which subsequently, turned into non-performing assets for various reasons. These lines of credit, which are secured by Government guarantees, have negatively affected the financial position of the Group. In order to strengthen the IDBZ's balance sheet and financial performance, Government has agreed in principle to take over the foreign debt.

Accordingly, and taking into account the Group's performance in the period under review and future business prospects presented by the scope, breadth and width of the IDBZ's mandate, the Directors have a reasonable expectation that the Group has adequate resources to continue as a going concern in the foreseeable future.

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Associated and subsidiary companies

Information regarding the Group's subsidiary and associate companies is given in notes to the financial statements.

Directorate

Mrs. M Sibanda resigned from the Board in February 2011 following her posting to Beijing, China, by her employer, the Ministry of Industry and Commerce. The Minister of Finance is considering recommendations from the Board on regularizing the Board composition to comply with section 4(2) of the Infrastructure Development Bank of Zimbabwe Act (Chapter 24:14).

Board Committees

The Board Human Resources Committee was reconstituted during the year under review. The Board Chairman stepped down from the Committee. Mrs. Sangarwe, a non executive director of the IDBZ, was appointed to serve on the Committee. The Committee was further strengthened by the appointment of an independent human resources and performance management expert, Mr. E Jinda, to ensure the Committee has the requisite set of skills to efficiently and effectively discharge its duties and responsibilities.

Directors' interest in Infrastructure Development Bank of Zimbabwe

During the year, no Director held either directly or indirectly any interest in the share capital of the Infrastructure Development Bank of Zimbabwe.

Directors' emoluments

Directors' emoluments are disclosed in the notes to the financial statements.

Interest of Directors and Officers

During the financial year, no contracts were entered into in which Directors or Officers of the IDBZ had an interest which significantly affected the business of the Group.

The Directors had no interest in any third party or company responsible for managing any of the business activities of the IDBZ.

Auditors

Shareholders will be asked to approve the remuneration of the Auditors for the year ended 31 December 2011.

The Directors' Report is made in accordance with a Resolution of the Board.

WL Manungo
Chairman

C Chikaura
Chief Executive Officer

Financial statements for Infrastructure Development Bank of Zimbabwe

The directors are responsible for the preparation and integrity of the financial statements and other information contained in this annual report.

To enable the directors to meet these responsibilities, systems of accounting and internal controls are maintained that are aimed at providing reasonable assurance that assets are safeguarded and that the risk of error, fraud or loss is controlled in a cost effective manner. The group's internal audit function, which has unrestricted access to the audit committee regularly, evaluates these systems, making recommendations for improvements when necessary.

The financial statements have been prepared in compliance with International Financial Reporting Standards and the directors are of the opinion that they fairly present the results of operations for the year and the financial position of the company at the year end.
The financial statements have been prepared on the going concern basis and the board has no reason to believe, based on available information and cash resources, that it is not appropriate.

The responsibility of the independent auditors is to report on the financial statements. Their report to the members is set out on pages 32 and 33 of this report.

The financial statements were approved by the Board of Directors on 11 October 2012 and are signed on its behalf by the Chairman and Chief Executive Officer.

W L Manungo	Chikaura
Chairman	Chief Executive Officer

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INDEPENDENT AUDITOR'S REPORT

To the Shareholders of

INFRASTRUCTURE DEVELOPMENT BANK OF ZIMBABWE

We have audited the consolidated financial statements of Infrastructure Development Bank of Zimbabwe and its subsidiaries (the "Group") and the statement of financial position of Infrastructure Development Bank of Zimbabwe (the "Bank") standing alone, together the "financial statements" which comprise the consolidated and separate statement of financial position as at 31December 2011 and the consolidated statements of comprehensive income, changes in equity and cash flows for the year then ended and a summary of significant accounting policies and other explanatory notes as set out on pages xx to xx.

Directors' Responsibility for the Financial Statements

The directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and in the manner required by the Infrastructure Development Bank of Zimbabwe Act (Chapter 24:14) and for such internal control as the directors determine is necessary to enable preparation of financial statements that are free from material misstatements, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

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

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

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qualified audit opinion on the consolidated financial statements and our audit opinion on the stand-alone statement of financial position.

Basis for Qualified Opinion - Consolidated Financial Statements

The Group's investment in Africom Continental (Private) Limited, an associate accounted for using the equity method, is carried at US$1 696 055 in the consolidated statement of financial position as at 31 December 2011, and its share of Africom Continental (Private) Limited's loss for the year of US$198 890 based on unaudited management accounts for the year ended 31 December 2011 is included in the consolidated statement of comprehensive income for the year then ended.

Qualified opinion - consolidated financial statements

In our opinion, except for the effects of the matter described in the basis for qualified opinion paragraph, the consolidated financial statements present fairly, in all material respects, the financial position of the Group as at 31 December 2011, and the Group's financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards and in the manner required by the Zimbabwe Infrastructure Development Bank of Zimbabwe Act (Chapter 24:14).

Opinion - stand-alone statement of financial position

The stand-alone statement of financial position gives a true and fair view of the separate financial position of the Bank as at 31 December 2010 in accordance with International Financial Reporting Standards and in the manner required by the Zimbabwe Infrastructure Development Bank of Zimbabwe Act (Chapter 24:14)

Emphasis of matter

We draw attention note 2.1.5 which indicates that the Group and the Bank operate in an uncertain macroeconomic environment.

As disclosed in note 20, the Group has shareholder loans denominated in various foreign currencies amounting to US$37 164 316 as at 31 December 2011, 80% of which are guaranteed by the Government of Zimbabwe. The loans are past due and the Group is unable to service the interest charges and to repay the capital.

For the year ended 31 December 2011, total liabilities of the Group and the Bank exceeded the total assets by US$14 358 150.

These conditions indicate the existence of a material uncertainty which may cast significant doubt about the Group's ability to continue as a going concern. Our audit opinion is not qualified in respect of this matter.

PricewaterhouseCoopers
Chartered Accountants (Zimbabwe)

Harare 22 October 2012

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Infrastructure Development Bank of Zimbabwe

INFRASTRUCTURE DEVELOPMENT BANK OF ZIMBABWE

		CONSOLIDATED			BANK		
		2011	2010 Restated	2009 Restated	2011	2010 Restated	2009 Restated
ASSETS	Note	US$	US$	US$	US$	US$	US$
Cash and cash equivalents	7	23 748 808	54 047 242	1 870 663	23 654 943	53 959 988	1 835 649
Financial assets at fair value through profit or loss	8	43 904	47 927	44 351	5 947	9 434	6 497
Loans and advances to customers	9	30 548 961	38 831 714	7 859 223	30 416 163	38 572 926	7 859 223
Assets pledged as collateral	9.3	11 029 971	13 856 345	-	11 029 971	13 856 345	-
Trade and other receivables	10	4 520 195	1 620 422	943 564	4 225 607	1 302 238	908 870
Investment in associates	11.2	1 696 055	1 969 085	1 001 585	1 696 055	1 969 085	1 001 585
Investments in subsidiaries	11.1	-	-	-	1 569 153	1 569 153	1 569 153
Inventories	12	249 941	1 251 744	1 147 697	60 437	1 051 824	-
Investment property	13	6 447 760	5 361 860	3 683 125	6 407 760	5 361 860	3 683 125
Intangible assets	14	706 878	-	-	706 878	-	-
Property and equipment	15	4 123 830	4 154 927	3 898 007	2 723 830	2 754 927	2 498 007
		83 116 303	121 141 266	20 448 215	82 496 744	120 407 780	19 362 109
Non-current assets held for sale	16	338 846	264 861	-	74 140	-	-
Total assets		83 455 149	121 406 127	20 448 215	82 570 884	120 407 780	19 362 109
Equity and liabilities							
Equity attributable to owners of the parent							
Share capital	17	23 311	21 537	-	23 311	21 537	-
Share premium	17	5 847 969	849 743	-	5 847 969	849 743	-
Amount awaiting allotment	18.2	-	-	850 000	-	-	850 000
Non distributable reserves	6,18	(22 373 613)	(22 373 613)	(22 365 988)	(22 116 996)	(22 090 996)	(22 102 716)
Retained earnings/ (accumulated losses)		1 606 756	874 189	(3 082 699)	1 524 871	730 474	(3 305 339)
		(14 895 577)	(20 628 144)	(24 598 687)	(14 720 845)	(20 489 242)	(24 558 055)
Non-controlling interest in equity		537 427	555 303	536 535	-	-	-
Total equity		(14 358 150)	(20 072 841)	(24 062 152)	(14 720 845)	(20 489 242)	(24 558 055)
LIABILITIES							
Deposits from customers	19	46 702 685	19 662 703	7 113 474	46 702 685	19 662 703	7 113 474
Foreign lines of credit	20	37 164 316	36 446 555	36 295 815	37 164 316	36 446 555	36 295 815
Local lines of credit	21	10 821 136	83 136 571	-	10 821 136	83 136 571	-
Other liabilities	22	3 125 162	2 233 139	1 101 078	2 603 592	1 651 193	510 875
Totalliabilities		97 813 299	141 478 968	44 510 367	97 291 729	140 897 022	43 920 164
Total equity and liabilities		83 455 149	121 406 127	20 448 215	82 570 884	120 407 780	19 362 109

The financial statement were approved by the Board of Directors and signed on their behalf by:

Chairman

Chief Executive Officer

Bank Secretary

11 October 2012

	Note	2011 US$	2010 US$
Interest and similar income	23.1	14 886 407	10 900 132
Interest and similar expense	23.2	(4 952 009)	(5 503 799)
Net interest income		9 934 398	5 396 333
Loan impairment charge	24	(5 745 473)	(2 923 521)
Net interest income after impairment charge		4 188 925	2 472 812
Fee and commission income	25	2 874 242	1 454 052
Net (losses)/gains on financial assets at fair value through profit or loss	26	(4 023)	3 575
Dividend income		1 789	-
Other operating income	27	434 253	1 895 933
Fair value gain on investment property	28	1 016 750	1 693 236
Net foreign exchange gains	29	1 472 124	1 410 406
Operating expenses	30	(8 570 479)	(4 973 703)
Share of loss from associates	11	(198 890)	-
Profit for the year		1 214 691	3 956 311
Other comprehensive income:		-	-
Total comprehensive income for the year		1 214 691	3 956 311
Total comprehensive income/(loss) attributable to:			
Equity holders of the parent entity		1 232 567	3 955 934
Non -controlling interest		(17 876)	377
		1 214 691	3 956 311
Earnings per share from continuing operations attributable to the equity holders of the Bank during the year (expressed in US cents per share)			
Basic and diluted earnings per share			
From profit for the year attributable to equity holders	31	52.1	183.7

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

	Attributable to owners of the parent entity							
	Ordinary share capital US$	Share premium US$	Amount awaiting allotment US$	Non distributable reserve ("NDR") US$	(Acumulated losses)/ retained earnings US$	Total before non-controlling interest US$	Non controlling interest US$	Total equity US$
Balance as at 1 January 2010, as previously reported	-	-	850 000	(23 978 457)	(3 101 249)	(26 229 706)	204 132	(26 025 574)
Correction of prior period errors:	-	-	-	-	-	-	-	-
Recognition of assets not accounted for at the	-	-	-	-	-	-	-	-
date of change in functional currency (note 6)	-		-	1 039 724	-	1 039 724	-	1 039 724
Recognition of subsidiaries and associates not previously accounted for (note 6)	- -	-	-	572 745	18 550	591 295	332 403	923 698
Balance as at 1 January 2010 as restated	-	-	850 000	(22 365 988)	(3 082 699)	(24 598 687)	536 535	(24 062 152)
Profit for the year, as previously stated					3 955 934	3 955 934	377	3 956 311
	-	-	-	-	3 955 934	3 955 934	377	3 956 311
Transfer from NDR to non-controlling interests	-	-	-	(19 345)	954	(18 391)	18 391	-
Recognition of investment property	-	-	-	33 000	-	33 000	-	33 000
Transactions with owners:		-						-
Issue of new shares	257	849 743	(850 000)	-	-	-	-	-
Redomination of share capital	21 280	-	-	(21 280)	-	-	-	-
Balance as at 31 December 2010, as restated	21 537	849 743	-	(22 373 613)	874 189	(20 628 144)	555 303	(20 072 841)
Balance as at 1 January 2011	21 537	849 743	-	(22 373 613)	874 189	(20 628 144)	555 303	(20 072 841)
Profit for the year	-	-	-	-	1 232 567	1 232 567	(17 876)	1 214 691
Total comprehensive income	-	-	-	-	1 232 567	1 232 567	(17 876)	1 214 691
Transactions with owners:								-
Dividend paid	-	-	-	-	(500 000)	(500 000)	-	(500 000)
Issue of shares, rights issue to shareholders	1 774	4 998 226	-	-	-	5 000 000	-	5 000 000
Balance as at 31 December 2011	23 311	5 847 969	-	(22 373 613)	1 606 756	(14 895 577)	537 427	(14 358 150)

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Infrastructure Development Bank of Zimbabwe

INFRASTRUCTURE DEVELOPMENT BANK OF ZIMBABWE

	Note	2011 US$	2010 US$
Cash flow from operating activities			
Profit for the year		1 214 691	3 956 311
Adjustments for non-cash items:			
Depreciation of property and equipment	15	354 509	340 431
Amortisation of intangible assets	14	93 014	-
Impairment loss on loans and advances to customers		5 745 473	2 923 521
Net foreign exchange loss / (gain)		(711 955)	(1 410 406)
Profit on disposal of property and equipment		-	(38 695)
Profit on disposal of investment property		-	(3 000)
Fair value (gain) / loss on investment property	13	(1 016 750)	(1 690 298)
Non -cash interest expense on foreign lines of credit		2 066 265	1 403 402
Changes in Provisions		985 359	-
Net losses on financial assets at fair value through profit or loss		4 023	(3 575)
Share of net losses from equity method investments		198 890	-
Other non cash items		(65 672)	118 376
		8 867 848	5 596 067
Decrease in loans and advances to customers		2 537 280	(34 116 467)
Decrease/(increase) in assets pledged as collateral		2 826 374	(13 856 345)
Increase in financial assets at fair value through profit or loss		-	(3 576)
Increase in trade and other receivables		(2 899 773)	(825 311)
Decrease in inventories		-	-
Increase in deposits from customers		27 039 983	12 549 229
Increase in foreign lines of credit		-	-
(Decrease)/increase in local lines of credit		(72 315 435)	83 136 571
Increase in other liabilities		268 594	1 172 067
Net cash inflow/(outflow) from operating activities		(33 675 130)	53 652 235
Cash flow from investing activities			
Purchase of property and equipment	15	(687 667)	(597 351)
Proceeds from sale of property and equipment		-	38 695
Purchase of interests in associates		-	(967 500)
Purchase of intangible assets	15	(435 636)	-
Proceeds from sale of investment property		-	50 500
Net cash (outflow)/ inflow from investing activities		(1 123 303)	(1 475 656)
Cash flow from financing activities			
Payment of dividends		(500 000)	-
Issue of shares	17	5 000 000	-
Net cash generated from financing activities		4 500 000	-
Net increase in cash and cash equivalents		(30 298 434)	52 176 579
Cash and cash equivalents at the beginning of year		54 047 242	1 870 663
Cash and cash equivalents at the end of year	7	23 748 808	54 047 242

1 COMPANY AND GROUP PROFILE AND PRINCIPAL ACTIVITIES

The Infrastructure Development Bank of Zimbabwe ("IDBZ" or the "Bank") is a development financial institution which is incorporated and domiciled in Zimbabwe under the IDBZ Act,(Chapter 24:14), The address of the Bank's registered office is IDBZ House, 99 Rotten Row, Harare, Zimbabwe. IDBZ and its subsidiaries, (together the "Group") are primarily involved in mobilising and providing finance for infrastructure development activities and management of infrastructure development projects.

The consolidated financial statements were approved by the director on 11 October 2012.

2 SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation and presentation

The Group's financial statements have been prepared in accordance with International Financial Reporting Standards, ("IFRS") and International Financial Reporting Committee ("IFRIC") Interpretations and in the manner required by the Infrastructure Development Bank of Zimbabwe Act, (Chapter 24:14). The consolidated financial statements have been prepared under the historical cost convention as modified by the revaluation of financial assets at fair value through profit or loss, investment property and non-current assets held for sale.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in note 2.29.

2.1.1 New standards, amendments and interpretations, effective on or after 1 January 2011

The following new standards, amendments and interpretations are effective for accounting periods beginning on or after 1 January 2011 and are relevant to the Group.

Standard/ Interpretation	Content	Applicable for financial years beginning on/ after
IAS 1 (amendment)	Presentation of financial statements	1 January 2011
IAS 24 (revised)	Related party disclosures	1 January 2011
IAS 32 (amendment)	Classification of rights issue	1 February 2010
IFRIC 19 (amendment)	Extinguishing financial liabilities with equity instruments	1 July 2010
IFRS 7 (amendment)	Financial Instruments	1 January 2011

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These new standards, amendments and interpretations do not have a material impact on the Group's financial statements.

IAS 1 ,'Presentation of financial statements'. The amendment clarifies that an entity will present an analysis of other comprehensive income for each component of equity, either in the statement of changes in equity or in the notes to the financial statements.

IAS 24, 'Related party disclosures' (revised). The amendment clarifies the definition of a related party. The new definition emphasises a symmetrical view of related party relationships and clarifies the circumstances in which persons and key management personnel affect related party relationships of an entity. In addition, the amendment introduces an exemption from the general related party disclosure requirements for transactions with Government and entities that are controlled, jointly controlled or significantly influenced by the same government as the reporting entity.

Amendment to IAS 32 'Financial instruments: presentation - classification of rights issues'. Amended to allow rights options or warrants to acquire a fixed number of the entity's own equity instruments for a fixed amount of any currency to be classified as equity instruments provided the entity offers the rights, options or warrants pro rata to all its existing owners of the same class of its own non derivative equity instruments.

Amendment to IFRIC 19 'Extinguishing financial liabilities with equity instruments.' Clarifies the requirements of IFRSs when an entity renegotiates the terms of a financial liability with its creditor and the creditor agrees to accept the entity's shares or other equity instruments to settle the financial liability fully or partially.

IFRS 7, 'Financial instruments' . Emphasises the interaction between quantitative and qualitative disclosures about the nature and extent of risks associated with financial instruments.

The following new standards, amendments and interpretations are effective for accounting periods beginning on or after 1 January 2011 and are not relevant to the Group:

Standard/ Interpretation	Content	Applicable for financial years beginning on/ after
IFRIC 14	Prepayments of minimum funding requirement	1 January 2011
IFRS 1 (amendment)	Limited exemption from comparative IFRS 7 disclosures for first time adopters	1 July 2010

Amendments to IFRIC 14 'Prepayments of a minimum funding requirement'. The amendments correct an unintended consequence of IFRIC 14, 'IAS 19/The limit on defined benefit assets, minimum funding requirements and their interaction. Without the amendments, entities are not permitted to recognise as an asset some voluntary prepayments for minimum funding contributions. This was not intended when IFRIC 14 was issued, and the amendments correct this. The amendments are effective for annual periods beginning on or after 1 January 2011. Earlier application is permitted. The amendments should be applied retrospectively to the earliest comparative period presented.

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IFRS 1, (amendment) 'Limited exemption from comparative IFRS 7 disclosures for first time adopters'. Provides the same relief to first time adopters as was given to current users of IFRSs upon adoption of the amendments to IFRS 7. Also clarifies the transition provisions of the amendments to IFRS 7.

2.1.2 New standards, amendment and interpretations effective for accounting periods beginning after 1 January 2011 but the Group early adopted them.

The following new standards, amendments and interpretations have been issued but are not effective for the accounting period beginning on or after 1 January 2011 but the Group early adopted them.

IFRS 1 (amendment) 'First time adoption' on fixed dates and hyperinflation. These amendments includes two changes to IFRS 1. The first replaces references to a fixed date of 1 January 2004 with "the date of transition to IFRSs". The second amendment provides guidance on how an entity should resume presenting financial statements in accordance with IFRSs after a period when the entity was unable to comply with IFRSs because its functional currency was subject to severe hyperinflation. The early adoption and application of the IFRS1 amendment, allowed the Group whose functional currency, the Zimbabwe Dollar was subjected to severe hyperinflation, and ceased to be subjected to severe hyperinflation, on 1 January 2009 when it changed to the US$, to achieve compliance with IFRS for the year ended 31December 2010.

2.1.3 New standards, amendments and interpretations, effective for accounting periods beginning after 1January 2011, but the Group has not early adopted them.

The following new standards, amendments and interpretationshave been issued but are not yet effective and are relevant to the Group's operations:

Standard/ Interpretation	Content	Applicable for financial years beginning on/ after
IAS 1 (amendment)	Other comprehensive income	1 July 2012
IAS 27 (amendment)	Separate financial statements	1 January 2013
IAS 28 (amendment)	Associates and joint ventures	1 January 2012
IFRS 7 (amendment)	Financial instruments: disclosures on derecognition	1 July 2011
IFRS 9 (amendment)	Financial instruments	1 January 2013, subsequently deferred to 1 January 2015
IFRS 10 (new)	Consolidated financial statements	1 January 2013
IFRS 12 (new)	Disclosures of interests in other entities	1 January 2013
IFRS 13 (new)	Fair value measurement	1 January 2013

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The following new standards, amendments and interpretations have been issued but are not yet effective and are relevant to the Group's operations:

IAS 1 (amendments) 'Financial statements presentation' regarding other comprehensive income. The amendment requires entities to group items presented in 'other comprehensive income' on the basis of whether they are potentially reclassifiable to profit or loss subsequently.

IAS 27 (amendment) 'Separate financial statements'. This revised standard includes the provisions on separate financial statements that are left after the control provisions of IAS 27 have been included in the new IFRS 10.

IAS 28, (amendment) 'Associates and joint ventures'. The revised standard includes the requirements for joint ventures, as well as associates, to be equity accounted following the issue of IFRS 11.

IFRS 7 (amendment) 'Financial instruments: disclosures' on derecognition. This amendment will promote transparency in the reporting of transfer transactions and improve users' understanding of the risk exposures relating to the transfer of financial assets and the effect of those risks on an entity's financial position, particularly those involving securitisation of financial assets.

IFRS 9 'Financial instruments (amendment)'. This standard is the first step in the process to replace IAS 39, Financial instruments: recognition and measurement.' IFRS 9 retains but simplifies the mixed measurement model and establishes two primary measurement categories for financial assets: amortised cost and fair value.

IFRS 10 (new) 'Consolidation of financial statements'. The objective of this IFRS is to establish principles for the preparation and presentation of consolidated financial statements when an entity controls one or more other entities. It builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent entity and provides additional guidance to assist in the determination of control where this is difficult to assess.

IFRS 12 (new) 'Disclosures of interests in other entities'. IFRS 12 includes the disclosure requirements for all forms of interest in other entities, including joint arrangements, associates, special purpose vehicles and other off balance sheet vehicles.

IFRS 13 (new) 'Fair value measurement'. IFRS 13 aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs.

The Group is considering the implications of these new standards, amendments and interpretations, and the impact on the Group and timing of their adoption.

2.1.4 New standards, amendments and interpretations effective for accounting periods beginning after 1 January 2011.

The following new standards, amendments and interpretations have been issued but are not effective and are not relevant to the Group:

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Standard/ Interpretation	Content	Applicable for financial years beginning on/ after
IAS 12 (amendment)	Income tax on deferred tax	1 January 2012
IAS 19 (amendment)	Employee benefits	1 January 2013
IFRS 11 (amendment)	Joint arrangements	1 January 2013

IAS 12, Income taxes, currently requires an entity to measure the deferred tax relating to an asset depending on whether the entity expects to recover the carrying amount of the asset through use or sale. It can be difficult and subjective to assess whether the recovery will be through use or sale. This amendment therefore introduces an exception to the existing principle for the measurement of deferred tax assets and liabilities arising on investment property measured at fair value. As a result of the amendments SIC 21 "Income taxes - recovery of revalued non depreciable assets" will no longer apply to investment property carried at fair value. The amendments also incorporates into IAS 12 the remaining guidance previously contained in SIC 21,which is withdrawn

IAS 19 (amendment) 'Employee benefits'. These amendments eliminate the corridor approach and calculate finance costs on a net funding basis.

IFRS 11 (amendment) 'Joint arrangements'. This presents a more realistic reflection of joint arrangements by focusing on the rights and obligations of the arrangement rather than its legal form.

2.1.5 Going concern

After making enquiries, the Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. The Group therefore continues to adopt the going concern basis in preparing the consolidated financial statements.

Note 20 indicates that the Group has foreign currency denominated shareholders loans amounting to US$37million as at 31 December 2011 that are overdue. These loans were advanced by foreign shareholders of the Bank who now own less1% of the Bank's ordinary shares and these loans are guaranteed, to the extent of 80% of their stated value, by the Government of Zimbabwe, the major shareholder of the Bank. The Group is currently unable to service the interest charges on these loans or repay the principal amount.

As at 31 December 2011 total assets of the Group exceeded total liabilities by US$14 358 150 (31 December 2010 - US$20 628 144).

These conditions indicate the existence of material uncertainty which may cast significant doubt about the Group's ability to continue as a going concern, without further support from its shareholders.

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The Group's operations have been significantly affected and may continue to be affected by the challenging environment particularly the lack of liquidity in the Zimbabwean economy.

The Ministry of Finance has issued a letter of support in which it indicates that based on its previous support, the Government of Zimbabwe is committed to support the Group by way of further capitalization should the Group be asked to repay the debt in the near future.

The directors have also initiated motions, through the Ministry of Finance, to have the legacy debt hived off the Group's statement of financial position through a bill of parliament and the process is at an advanced stage of engagement between the Bank and Ministry of Finance. The removal of the legacy debt will result in the Group's total assets exceeding total liabilities.

In addition, section 32 of the Infrastructure Development Bank of Zimbabwe Act (Chapter 24:14), stipulates that the Bank cannot be wound up except by or under the authority of an Act of the Parliament of Zimbabwe.

The directors have assessed the ability of the Group to continue operating as a going concern and believe that the preparation of these financial statements on a going concern basis is still appropriate. However, the Directors believe that under the current economic environment a continuous assessment of the ability of the Group to continue to operate as a going concern will need to be performed to determine the continued appropriateness of the going concern assumption that has been applied in the preparation of these financial statements.

2.2 Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's subsidiaries are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in the United States of America dollar ("US$"), which is the functional and presentation currency of the Bank and all its subsidiaries.

(b)Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuations where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of comprehensive income except when deferred in other comprehensive income as qualifying cash flow hedges and qualifying net investment hedges.

All foreign exchange gains and losses are presented in the statement of comprehensive income within net foreign exchange gains or losses.

Changes in the fair value of monetary securities denominated in foreign currency classified as available for sale are analysed between translation differences resulting from changes in the amortised cost of the security and other changes in the carrying amount of the security. Translation differences related to changes in amortised cost are recognised in profit or loss, and other changes in carrying amount are recognised in other comprehensive income.

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Translation differences on non-monetary financial assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss. Translation differences on non monetary financial assets, such as equities classified as available for sale, are included in other comprehensive income.

2.3 Basis of consolidation

Consolidation

(a) Subsidiaries

Subsidiaries are all entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. The Group also assesses existence of control where it does not have more than 50% of the voting power but is able to govern the financial and operating policies by virtue of de- facto control. De-facto control may arise in circumstances where the size of the Group's voting rights relative to the size and dispersion of holdings of other shareholders give the Group the power to govern the financial and operating policies, etc.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement.

Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquiree on an acquisition- by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of acquiree's identifiable net assets.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through profit or loss.

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with IAS 39 either in profit or loss or as a change to other comprehensive income. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

Goodwill is initially measured as the excess of the aggregate of the consideration transferred and the fair value of non-controlling interest over the net identifiable assets acquired and liabilities

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assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognised in profit or loss.

Inter-company transactions, balances, income and expenses on transactions between Group entities are eliminated. Profits or losses resulting from transactions with Group entities that are recognised in assets are also eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

(b) Changes in ownership interests in subsidiaries without change of control

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions – that is, as transactions with the owners in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

(c) Disposal of subsidiaries

When the Group ceases to have control, any retained interest in the entity is re-measured to its fair value at the date when control is lost, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

(d) Associates

Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting. Under the equity method, the investment is initially recognised at cost, and the carrying amount is increased or decreased to recognise the investor's share of the profit or loss of the investee after the date of acquisition. The Group's investment in associates includes goodwill identified on acquisition.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income is reclassified to profit or loss where appropriate.

The Group's share of post-acquisition profit or loss is recognised in the statement of comprehensive income, and its share of post acquisition movements in other comprehensive income is recognised in other comprehensive income with a corresponding adjustment to the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.

The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value

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and recognises the amount adjacent to 'share of profit/ (loss) of an associate' in the statement of comprehensive income.

Profits or losses resulting from upstream and downstream transactions between the Group and its associate are recognised in the Group's financial statements only to the extent of unrelated investor's interests in the associates. Unrealised losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

Dilution gains or losses arising in investments in associates are recognised in the statement of comprehensive income.

2.4 Cash and bank balances

Cash and cash equivalents includes cash in hand, deposits held at call with other banks, and other shortterm highly liquid investments with original maturities of three months or less. The Bank which was created by an Act of parliament, The Infrastructure Development Bank of Zimbabwe Act (Chapter 24:14) is not registered under the Zimbabwe Banking Act (Chapter 24.20) and is not regulated by the Reserve Bank of Zimbabwe and has no statutory reserve balances with the Central Bank.

2.5 Financial assets

Classification

The Group classifies its financial assets in the following categories at fair value through profit or loss, available for sale, and loans and receivables. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

2.5.1 Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short-term. Derivatives are also categorised as held for trading unless they are designated as hedges. Assets in this category are classified as current assets.

2.5.2 Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market other than;

a) those that the entity intends to sell immediately or in the short term, which are classified as held for trading, and those that the entity upon initial recognition designates as at fair value through profit or loss;
b) those that the entity upon initial recognition designates as available for sale; or
c) those for which the holder may not recover substantially all of its initial investment, other than because of credit deterioration.

2.5.3 Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other Financial liabilities

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Financial Liabilities

The Group's financial liabilities are measured at amortised cost. Financial liabilities measured at amortised cost include deposits from other banks or customers, lines of credit and sundry creditors. The Group derecognises a financial liability when its contractual obligations are discharged or cancelled or have expired.

Recognition and measurement

Regular purchases and sales of financial assets are recognised or derecognised on the trade date, the date on which the Group commits to purchase or sell the asset. Financial assets are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value and transaction costs are expensed in the statement of comprehensive income. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Financial assets at fair value through profit or loss and financial assets available for sale are subsequently carried at fair value. Loans and receivables are subsequently carried at amortised cost using the effective interest method.

Gains or losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are presented in the statement of comprehensive income in the period in which they arise. Dividend income from financial assets at fair value through profit or loss is recognised in the statement of comprehensive income when the Group's right to receive payments is established.

Changes in the fair value of monetary and non-monetary securities classified as available for sale are recognised in other comprehensive income.

When securities classified as available for sale are sold or impaired, the accumulated fair value adjustments recognised in equity are included in the statement of comprehensive income as 'gains or losses from investment securities'. Dividends on available-for-sale equity investments are recognised in the statement of comprehensive income as part of other income when the Group's right to receive payments is established.

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the Group establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models, making maximum use of market inputs and relying as little as possible on entity specific inputs.

The Group classifies the financial instruments into classes that reflect the nature of information and take into account the characteristics of those financial instruments. The classification made can be seen in the table below:

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Financial instruments: recognition and measurement

Category (as defined by IAS 39) Financial Instruments: Recognition and Measurement		Class (as determined by the Group)		Subclasses (as determined by the Group)
Financial	Financial assets at fair at fair value through profit or loss	Held for trading		Equity securities listed on the Zimbabwe Stock Exchange
				Bankers acceptances
	Loans and receivables	Balances with other banks and cash		
		Loans and advances to other banks		
		Loans and advances to customers	Loans to Individuals	Staff loans
			Loans to corporate entities	Large corporate customers
				SMEs
				Bankers' acceptances
	Available for sale financial assets	Investment securities-equity securities		Unlisted
Financial liabilities	Financial liabilities at amortised cost	Deposits from other banks		
		Lines of credit		
		Customers deposits		Large corporate customers
				SMEs
				Individuals
Contingent liabilities and commitments	Loan commitments			
	Guarantees and letters of credit			

2.6 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

2.7 Impairment of financial assets

2.7.1 Assets carried at amortised cost

The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or group of financial assets is impaired and impairment losses are incurred if, and only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a "loss event") and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably measured.

Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, defaults or delinquency in interest or principal payments the probability that they will enter bankruptcy or other financial reorganisation, and where observable data indicates that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

For loans and receivables category, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in the statement of comprehensive income. If a loan has a variable interest rate, the discount rate of measuring any impairment loss is the current effective interest

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rate determined under the contract. As a practical expedient, the Group may measure impairment on the basis of an instruments' fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in the statement of comprehensive income.

2.7.2 Assets classified as available for sale

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. For debt securities, the Group uses the criteria referred to above. In the case of equity investments classified as available for sale, a significant or prolonged decline in the fair value of the security below its cost is also evidence that the assets are impaired. If any such evidence exists for available-for-sale financial assets,the cumulative loss - measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss - is removed from equity and recognised in profit or loss. Impairment losses recognised in the statement of comprehensive income on equity instruments are not reversed through the statement of comprehensive income. If in a subsequent period, the fair value of a debt instrument classified as available for sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in the profit or loss, the impairment loss is reversed through the statement of comprehensive income.

2.7.3 Income taxes

All the receipts and accruals of the Group are exempt from income tax in terms of sub paragraph of paragraph 2 of the Third Schedule of the Zimbabwe Income Tax Act (Chapter 23:06) and by virtue of the Section 10 of the Zimbabwe Capital Gains Tax Act (Chapter 23:01) from capital gains tax.

2.8 Loans and advances to customers

Loans and advances to customers

Loans and advances to customers are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and the Group does not intend to sell immediately or in the near term.

Loans and advances are initially measured at fair value plus incremental direct transaction costs, and subsequently measured at their amortised cost using the effective interest method.

Loans and advances are stated net of impairment losses.

Impairment allowance on loans and advances to customers

Impairment losses are held in respect of loans and advances. The level of impairment is determined in accordance with the provisions set out in International Accounting Standard, ("IAS"), 39, Financial Instruments: Recognition and Measurement

An allowance for loan impairment is established if there is objective evidence that the Group will not be able to collect all amounts due according to the original contractual terms of the loans and advances. The amount of the allowance is the difference between the carrying amount and the recoverable amount.

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The loan loss allowance also covers losses where there is objective evidence that probable losses are present in components of the loan portfolio at the balance sheet date. These have been estimated based upon historical cost patterns of losses in each component, the credit ratings allocated to the borrowers and reflecting the current economic climate in which the borrowers operate. When a loan is uncollectible, it is written off against the related allowance for impairment. Subsequent recoveries are credited to the statement of comprehensive income.

Specific impairment for non-performing loans, covering identified impaired loans, are based on periodic evaluations of the loans and advances and take account of past loss experience, economic conditions and changes in the nature and level of risk exposure. Corporate loans are analysed on a case-by-case basis taking into account breaches of key loan conditions.

Specific impairment against loans and advances is based on an appraisal of the loan portfolio, and is made where the repayment of identified loans is in doubt. Portfolio impairment is made in relation to losses which, although not separately identified, are known from experience to exist in any loan portfolio.

Impairment loss allowances, are applied to write-off loans and advances when all security has been realised and further recoveries are considered to be unlikely. Recoveries of bad debts that would have been written off are shown as other income.

Non-performing loans

Interest on loans and advances is accrued until such time as reasonable doubt exists about its collectability, thereafter and until all or part of the loan is written-off, interest continues to accrue on customers' accounts but is not included in income. Such suspended interest is deducted from loans and advances in the statement of financial position.

2.9 Trade receivables

Trade receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business. If collection is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non current

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less allowance for impairment.

2.10 Non current assets (or disposal groups) held for sale

Non-current assets (or disposal groups) are classified as assets held for sale when their carrying amount is to be recovered principally through a sale transaction and a sale is considered highly probable. They are stated at the lower of carrying amount and fair value less costs to sell.

2.11 Investment property

Property that is held for long-term rental yields or for capital appreciation or both; and that is not occupied by the entities in the Group, is classified as investment property. Investment property also includes property that is being constructed or developed for future use as investment property.

Investment property is measured initially at its cost, including related transaction costs and where applicable borrowing costs.

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After initial recognition, investment property is carried at fair value. Investment property under construction is measured at fair value if the fair value is considered to be reliably determinable. Investment properties under construction for which the fair value cannot be determined reliably, but for which the Group expects that the fair value of the property will be reliably determinable when construction is completed, are measured at cost less impairment until the fair value becomes reliably determinable or construction is completed – whichever is earlier. Fair value is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. If this information is not available, the Group uses alternative valuation methods, such as recent prices in less active markets or discounted cash flow projections. Valuations are performed as at the financial position date by professional valuers who hold recognised and relevant professional qualifications and have recent experience in the location and category of the investment property being valued.

These valuations form the basis for the carrying amounts in the financial statements. Investment property that is being redeveloped for continuing use as investment property or for which the market has become less active continues to be measured at fair value.

Fair value measurement of property under construction is only applied if the fair value is considered to be reliably measurable.

It may sometimes be difficult to determine reliably the fair value of the investment property under construction. In order to evaluate whether the fair value of an investment property under construction can be determined reliably, management considers the following factors, among others:

- The provisions of the construction contract;
- The stage of completion;
- Whether the project/property is standard (typical for the market) or non-standard;
- The level of reliability of cash inflows after completion;
- Past experience with similar constructions;
- The development risk specific to the construction; and
- Status of construction permits.

The fair value of investment property reflects, among other things, rental income from current leases and assumptions about rental income from future leases in the light of current market conditions. The fair value also reflects, on a similar basis, any cash outflows that could be expected in respect of the property. Some of those outflows are recognised as a liability including finance lease liabilities in respect of leasehold land classified as investment property; others, including contingent rent payments, are not recognised in the financial statements.

Subsequent expenditure is capitalised to the asset's carrying amount only when it is probable that future economic benefits associated with the expenditure will flow to the Group and cost of the item can be measured reliably. All other repairs and maintenance costs are expensed when incurred. When part of an investment property is replaced, the carrying amount of the replaced part is
The fair value of investment property does not reflect future capital expenditure that will improve or enhance the property and does not reflect the related future benefits from this future expenditure other than those rational market participant would take into account when determining the value of the investment property.

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Changes in fair value are recognised in the statement of comprehensive income. Investment property is derecognised either when it has been disposed of or when the investment property is permanently withdrawn from use and no economic benefit is expected from its disposal.

Where the Group disposes of an investment property at fair value in an arm's length transaction, the carrying value immediately prior to the sale is adjusted to the transaction price, and the adjustment is recorded in the statement of comprehensive income within net gain from fair value adjustment on investment property.

If an investment property becomes owner-occupied, it is reclassified as property, plant and equipment. Its fair value at the date of reclassification becomes its cost for subsequent accounting purposes.

If an item of owner-occupied property becomes an investment property because its use has changed, any difference resulting between the carrying amount and the fair value of this item at the date of the transfer is treated in the same way as revaluation under IAS 16, 'Property, Plant and Equipment'. Any resulting increase in the carrying amount of the property is recognised in the profit or loss to the extent that it reverses a previous impairment loss, with any remaining increase recognised in other comprehensive income and increases directly to revaluation surplus within equity. Any resulting decrease in the carrying amount of the property is initially charged in the comprehensive income against any previously recognised revaluation surplus, with any remaining decrease charged to statement of comprehensive income.

2.12 Property and equipment

Recognition and measurement

Items of property and equipment, are measured at historical cost less accumulated depreciation and impairment losses.

Historical cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the asset to a working condition for its intended use, the cost of dismantling the asset and removing items and restoring site on which they are located.

Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment. Where parts of an item of property or equipment have different useful lives, they are accounted for as separate items (major components) of property and equipment.

The cost of replacing part of an item of property and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group and its cost can be measured reliably. The carrying amount of the replaced part is derecognised. The cost of the day to day servicing of property and equipment is recognised in profit or loss as incurred.

Land is not depreciated.

Assessment of useful economic lives and residual values

Owner occupied properties, motor vehicles, office equipment, furniture and fittings and computer hardware are depreciated on a straight line basis over the estimated useful lives of the assets. The estimated useful lives of the assets presently are as follows:

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Premises	40 years
Motor vehicles	4 - 5 years
Office equipment	3 years
Furniture and fittings	3 - 10 years
Computer hardware	3 years

The asset's residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Depreciation
In calculating the depreciation charge the entity reduces the depreciable amount of an asset by its residual value where it is deemed to be significant. The continuous reassessment of residual values typically leads to a reduction in depreciation charges and depreciation charges cease when the residual value is greater than or equal to the carrying value of the asset until its residual value subsequently decreases to an amount below the asset's carrying amount.

Leased assets: lessee
Leases in terms of which the Group assumes substantially all risks and rewards of ownership are classified as finance leases. Upon initial recognition the leased asset is measured at an amount equal to the lower of its fair value and the present value of minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to the asset.

Disposals
Gains or losses on disposals are determined by comparing the proceeds, with the carrying amount and are recognised in the statement of comprehensive income.

2.14 Intangible assets

a) Goodwill
Goodwill arises on the acquisition of subsidiaries, associates and joint ventures and represents the excess of the consideration transferred over Group's interest in net fair value of the net identifiable assets, liabilities and contingent liabilities of the acquiree and the fair value of the non-controlling interest in the acquiree.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash generating units ("CGU"s) or groups of CGUs, that is expected to benefit from the synergies of the combination. Each unit or groups of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes.

Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs to sell. Any impairment is recognised immediately as an expense and is not subsequently reversed.

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b) Software licences

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised on the basis of the expected useful lives. Software has a maximum expected useful life of 4 years.

Amortisation

Computer software costs recognised as intangible assets are amortised on the straight-line basis over their estimated useful lives.

2.15 Impairment of non-financial assets

Assets that have an indefinite useful life - for example, goodwill or intangible assets not ready to use - are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows ("cash-generating units"). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

2.16 Share capital

Ordinary shares

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

Repurchase of share capital (treasury shares)

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

2.17 Customer deposits

Customer deposits are recognised initially at fair value, net of transaction costs incurred. Deposits are subsequently shown at amortised costs using the effective interest method. Any difference between proceeds (net of transaction costs) and the redemption value is recognised in the statement of comprehensive income.

2.18 Lines of credit

Lines of credit are recognised initially at fair value, net of transaction costs incurred. Lines of credit are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the statement of comprehensive income over the period of the borrowings using the effective interest method.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that is probable that some or all of the facility will be drawn down, the

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fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

2.19 Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small. Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense. Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave.

2.20 Trade payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers or customers. Trade payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non current liabilities.

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

2.21 Leases

Group as lessor

Leases where the Group transfers substantially all the risks and rewards incidental to ownership of an asset to the lessee are classified as finance leases. The outstanding principal amounts less unearned finance charges, are included in advances to customers in the statement of comprehensive income.

The finance charges earned are computed at the effective interest rates in the contracts and are brought into income in proportion to balances outstanding under each contract. The unearned portion of finance charges is shown as a deduction from loans and advances.

Group as lessee

Leases of assets under which the lessor effectively retains all the risks and rewards incidental to ownership are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the statement of comprehensive income on a straight-line basis over the period of the lease.

Lease payment made

Payment s made under operating leases are recognised in the statement of comprehensive income on a straight line basis over the term of lease

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2.22 Financial guarantees

Financial guarantees are contracts that require the Group to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

Financial guarantee liabilities are initially recognised at their fair value, and the initial fair value is amortised over the life of the financial guarantee. The guarantee liability is subsequently carried at the higher of this amortised amount and the present value of any expected payment (when a payment under the guarantee has become probable).

2.23 Related parties

Related party transactions and outstanding balances with key management and other entities in the Group are disclosed.

2.24 Revenue recognition

Revenue is derived substantially from the business of banking, project advisory services and related activities and comprises net interest income and non-interest income. The Group recognises revenue when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the Group; and when specific criteria have been met for each of the group activities as described below.

The Group bases its estimate of return on historical results taking into consideration the type of customer, type of transaction and the specifics of each arrangement.

2.24.1 Net interest income

Interest income and expenses are recognised in the statement of comprehensive income for all interest-bearing instruments on an accrual basis using the effective interest method. The effective interest rate is the rate that exactly discounts the estimated future cash payments and receipts through the expected life of the financial assets or liabilities to the carrying amount of the financial asset or liabilities. The effective interest rate is established on initial recognition of the financial asset and liability and is not revised subsequently.

Where financial assets have been impaired, interest income continues to be recognised on the impaired value, based on the original effective interest rate. Net interest income excludes fair value adjustments on interest-bearing financial instruments. Fair value adjustments on financial instruments are reported under other income.

The calculation of the effective interest rate includes all fees paid or received, transaction costs, and discounts or premiums that are an integral part of the effective interest rate. Transaction costs are incremental costs that are directly attributable to the acquisition or disposal of a financial asset or liability.

2.24.2 Non-interest income

Non-interest income includes advisory and arrangement fees, net revenue from foreign exchange trading and net gains on the realisation or revaluation of investment properties. All such commissions and fees including service fees, investment management fees, placement and syndication fees are recognised as the related services are performed.

2.24.3 Dividend income

Dividend income is recognised when the right to receive income is established. Usually this is at the ex-dividend date for equity securities. Dividends are reflected as a component of non-interest income based on the underlying classification of the equity instruments.

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2.24.4 Rental income

Rental income from the investment property is accounted for on an accrual basis.

2.25 Employee benefits

2.25.1 Pension scheme

The Group subscribes to the Infrastructure Development Bank of Zimbabwe's group pension scheme, a defined contribution plan. A defined contribution plan, is a plan under which the Group pays fixed contributions into a separate entity and has no legal or constructive obligation to pay further contributions should the fund at any time not hold sufficient assets to pay all employees the benefits relating to their service in the current and prior periods. The Group's obligations for contributions to this group scheme are recognised as an expense in the statement of comprehensive income as they are incurred.

2.25.2 Termination benefits

Termination benefits are recognised as an expense when the Group is demonstrably committed, without realistic possibility of withdrawal, to a formal detailed plan to either terminate employment before the normal retirement date, or to provide termination benefits as a result of an offer made to encourage voluntary redundancy. Termination benefits for voluntary redundancies are recognised as an expense if the Group has made an offer encouraging voluntary redundancy, it is probable that the offer will be accepted, and the number of acceptances can be estimated reliably. Benefits falling due more than 12 months after the end of the reporting period are discounted to their present value.

2.25.3 Short term employee benefits

Short term employee benefit obligations are measured on an undiscounted basis and are expensedas the related service is provided.

A liability is recognised for the amount expected to be paid under short term cash bonus or profit sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

2.26 Earnings per share

The Group presents basic and diluted earnings per share ("EPS") data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Bank by the weighted average number of ordinary shares outstanding during the period. The diluted EPS figure is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of outstanding shares for the effects of all potentially dilutive ordinary shares.

2.27 Dividend distribution

Dividend distribution to the Bank's shareholders is recognised as a liability in the period in which the dividends are declared by the Bank's directors.

2.28 Fiduciary activities

The Group manages, on behalf of the Ministry of Finance, loan (and collection thereof) and fiscal funding disbursements to implementing agencies for infrastructure projects.

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The assets and income arising thereon are excluded from these consolidated financial statements as they are not assets of the Group.

2.29 Critical accounting estimates and judgement

The Group's financial position and its financial results are influenced by assumptions, estimates and management judgement, which necessarily have to be made in the course of the preparation of the financial statements.

The Group makes estimates and assumptions concerning the future. The resulting estimates will, by definition seldom equal the related actual results. The estimates and assumptions that have a significant risk of carrying a material adjustment to the carrying amount of assets and liabilities within the next financial year addressed below:

2.29.1 Impairment losses on loans and advances

The Group reviews its loan portfolio to assess impairment at least monthly. In determining whether an impairment loss should be recorded in the statement of comprehensive income, the Group makes judgements as to whether there is measurable decrease in the estimated future cash flows from a portfolio of loans before the decrease can be identified with an individual loan in that portfolio. Management uses estimates based on historical loss experience for assets with credit risk characteristics. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience. For specific impairment the expected cash flows are discounted using the original effective interest rate when the loan was granted.

2.29.2 Impairment of available-for-sale financial assets

The Group determines that available-for-sale financial assets are impaired when there is a significant or prolonged decline in the fair value below its costs. This determination of what is significant or prolonged requires judgement. In making this judgement, the Group evaluates among other factors, the normal volatility in share price. In addition, impairment may be appropriate when there is evidence of deterioration in the financial health of the investee, industry and sector performance, changes in technology and operational and financing cash flows.

2.29.3 Going concern

After making enquiries, the Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. The Group therefore continues to adopt the going concern basis in preparing the consolidated financial statements. Additional information on the going concern assumption is disclosed in note 2.1.5.

3 RISK MANAGEMENT

3.1 Risk Management Policies

The Group's activities expose it to a variety of financial risks: credit risk, liquidity risk and market risk (including fair value interest rate risk, cash flow interest rate risk, foreign exchange risk, and price risk).

Risk management is a key function of management. The dynamism characterising the financial services sector has increased the importance of risk management. The Group has put in place a risk management framework to identify the type and areas of risk and to measure and assess all risks to enable management to make sound judgements and decisions and thereby limit losses.

The Board of Directors has overall responsibility for setting policies for risk management. The implementation and monitoring of the risk policies is through appropriate risk management structures with delegated authority from the Board. The Risk Management and Compliance Department independently monitors risk throughout the Group according to set risk policies and provides advice and support on compliance matters. The Group manages risk within applicable laws. Each department is responsible for ensuring that its conduct complies with all the applicable laws and regulations.

In addition, the Group Internal Audit Department is responsible for independent review of risk management and control environment; and the Group Legal Department provides advice and support on legal matters.

A Risk Management Committee has been set at Board level and it consists of non-executive directors level to ensure importance of the function is emphasized at a higher level.

3.2 Credit risk

Credit risk is the posility of loss arising from the inability of a client or a counter party to meet its commitments to the Group. It is inherent in most banking products and activities. Credit risk management and control within the Group is guided by the Group's credit policy. The credit policy outlines procedures for accurate assessment, proper approval and consistent monitoring of credit risk.

We manage credit exposure to any entity through credit limits. A credit limit is set for each customer after assessment of the financial strength of the customer and assessment of other qualitative factors which influence the performance of the customer. The Group has in place a management credit committee that assesses credit proposals and exercise credit approval authority, up to a set limit. Approval of credit at higher levels requires the approval of the Board.

Individual loans are reviewed continuously through monthly reassessment of the credit grading so that problems can be detected and managed at an early stage. Periodic reassessment is also done based on management information received. Impairment allowances are adjusted monthly in line with the reassessed credit grades.

Commitments to extend credit represent unused portions of authorisations to extend credit in the form of loans, guarantees or letters of credit. With respect to credit risk on commitments to extend credit, the Group is potentially exposed to loss in an amount equal to the total unused commitments. The Group monitors the credit performance of customers on the utilised balances to minimise potential losses on the unutilised balances.

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Credit risk exposure relating to on -balance sheet assets are as follows:	Maximum Exposure 31 Dec 2011 US$	Maximum Exposure 31 Dec 2010 US$
Balances with other banks	23 748 808	54 047 242
Loans and advances to customers	38 719 863	42 269 992
Assets pledged as collateral	11 029 971	13 856 345
Trade and other receivables	4 520 195	1 620 422
	78 018 837	111 794 001
Credit risk exposure relating to off balanee sheet assets are as follows:		
loan commitments	19 853 248	71 207 804
Maximum exposure to credit risk	97 872 085	183 001 805

The significant decline in credit risk exposure was due to the following:
(a) Reduction in balances with other banks, and
(b) The Group marked down credit limits for borrowing clients who are highly susceptible to poor economic performance, as credit risk has increased and also for clients whose businesses could not justify a higher limit.

Loans and advances (including assets pledged as collateral) are summarised as follows:	Loans and advances to customers 2011 US$	Loans and advances to customers 2010 US$
Neither past due nor impaired	31 370 603	42 108 093
Past due but not impaired	-	-
Individually impaired	18 379 231	14 018 244
Gross	49 749 834	56 126 337
Less: allowance for impairment	(8 170 902)	(3 438 278)
Net	41 578 932	52 688 059

3.3 Liquidity risk

Liquidity risk is the possibility that the Group may fail to cover its financial obligations as they fall due. The risk arises as a result of mismatches between the maturities of assets and liabilities.

Management manages liquidity risk through cash flow and maturity mismatch management. They meet regularly to set and review the Group's strategies. The treasury department has the responsibility to implement and maintain a liquidity management strategy to ensure that the Group has sufficient liquidity to meet its daily liquidity obligations .

The Group has developed a comprehensive contingency liquidity plan to ensure that the Group does not get affected in case of a major market upset.

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The Group uses the following strategies in its liquidity risk management:

- Day-to-day funding, managed by monitoring future cash flows to ensure that requirements can be met. This includes replenishment of funds as they mature or are borrowed by customers.
- Maintains a portfolio of highly marketable assets that can easily be liquidated as protection against any unforeseen interruption to cash flow;
- Monitoring the liquidity ratios of the statement of financial position against internal and regulatory requirements;
- Diversification of liabilities to achieve a stable funding base and avoid excessive reliance on any one counter party;
- Maturity mismatch limits for its cumulative funding positions; and
- Access of inter-bank markets.

Contract maturity analysis

Sources of liquidity are regularly reviewed by a separate team in treasury to maintain a wide diversification by currency, provider, product and term.

As at 31 December 2011	Up to 1 month US$	1 to 3 months US$	3 to 9 months US$	9 to 12 months US$	Total US$
Assets					
Cash and cash equivalents	23 748 808	-	-	-	23 748 808
Financial assets at fair value through profit or loss	43 904	-	-	-	43 904
Loans and advances to customers	16 279 158	12 269 768	2 000 035	-	30 548 961
Assets pledged as collateral	-	11 029 971	-	-	11 029 971
Total assets	40 071 870	23 299 739	2 000 035	-	65 371 645
Liabilities					
Deposits from customers	46 702 685	-	-	-	46 702 685
Foreign lines of credit	37 164 316	-	1 200 000	-	38 364 316
Local lines of credit	10 821 136	-	-	-	10 821 136
Other liabilities	-	3 125 162	-	-	3 125 162
Total liabilities	94 688 137	3 125 162	1 200 000	-	99 013 299
Gap	(54 616 267)	20 174 577	800 035	-	(33 641 655)
Cumulative gap	(54 616 267)	(34 441 690)	(33 641 655)	(33 641 655)	-
Liabilities ; loan commitments	19 853 248	-	-	-	19 853 248
Total gap	(74 469 515)	20 174 577	800 035	-	(53 494 903)
Total cumilative gap	(74 469 515)	(54 294 938)	(53 494 903)	(53 494 903)	-

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Liabilities

As at 31 December 2010	Up to 1 month US$	1 to 3 months US$	3 to 9 months US$	9 to 12 months US$	Total US$
Assets					
Cash and cash equivalents	54 047 242	-	-	-	54 047 242
Financial assets at fair value	-	-	-	-	-
through profit or loss	47 927	-	-	-	47 927
Loans and advances to customers	13 646 140	25 185 574	-	-	38 831 714
Assets pledged as collateral	-	13 856 345	-	-	13 856 345
Total assets	67 741 309	39 041 919	-	-	106 783 228
Liabilities					
Deposits from customers	8 746 451	10 916 252	-	-	19 662 703
Foreign lines of credit	36 446 555	-	1 200 000	-	37 646 555
Local lines of credit	83 136 571	-	-	-	83 136 571
Other liabilities	-	1 664 147	-	-	1 664 147
Total liabilities	128 329 577	12 580 399	1 200 000		142 109 976
Gap	(60 588 268)	26 461 520	(1 200 000)	-	(35 326 748)
Total cumulative gap	(60 588 268)	(34 126 748)	(35 326 748)	(35 326 748)	
Liabilities; l oan commitments	71 207 804	-	-	-	71 207 804
Total gap	(131 796 072)	26 461 520	(1 200 000)	-	(106 534 552
Total cumilative gap	(131 796 072)	(105 334 552)	(106 534 552)	(106 534 552)	

3.4 Market risk

The Group takes on exposure to market risks, which is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risks arise from open positions in interest rate, currency and equity products, and changes in the level of volatility of market rates or prices such as interest rates, credit spreads, foreign exchange rates and equity prices.

Market risk is the possibility of loss in the realizable value of assets or increase in the value of liabilities arising from adverse movements in interest rates, foreign exchange rates and share prices.

Interest rate risk arises due to assets and liabilities maturing at different times and thereby necessitating the rollover andre-pricing of liabilities of reinvestment and re-pricing of assets.

The Group uses the following to measure interest rate risk:

- Gap analysis;
- Duration analysis to estimate the loss in market value of the asset portfolio if interest rates move; and

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- Rate sensitivity analysis involving calculation of ratios of rate sensitive assets to rate sensitive liabilities, and net rate sensitive assets/liabilities to equity and total assets.

Exchange rate risk arises from foreign currency open positions. The Group manages the risk through limits on the total exposure and through dealer limits. The Group monitors its daily foreign currency balances against the daily single currency and overall foreign exchange risk exposure limits set by the Reserve Bank of Zimbabwe.

3.4.1 Interest rate risk

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate because of changes in market interest rates. The Group takes on exposure to the effects of fluctuations in the prevailing levels of market interest rates on both its fair value and cash flow risks. Interest margins may increase as a result of such changes but may reduce losses in the event that unexpected movements arise. The Board sets limits on the level of mismatch of interest rate repricing that may be undertaken, which is monitored monthly by Management Asset Liability Committee ("MALCO").

The Group manages interest rate risk through Management Asset and Liability Committee and the strategies used include:
(a) Loan pricing, promotion and product structure.
(b) Deposit pricing, promotion and product structure.
(c) Use of alternative funding sources, including off-balance sheet alternatives to the extent such ctivity is authorised by the Board, and
(d) Security purchases and sales.

The table below summarises the Group's exposure to interest rate risks. It includes the Group's financial instruments at carrying amounts, categorised by the earlier of contractual repricing or maturity dates.

Interest rate repricing gap analysis

As at 31 December 2011	Up to 1 month US$	1 to 3 months US$	3 to 9 months US$	9 to 12 months US$	Non interest bearing US$	Total US$
Assets						
Cash and cash equivalents	23 748 808	-	-	-	-	23 748 808
Financial assets at fair value through profit or loss	43 904	-	-	-	-	43 904
Loans and advances to customers	16 279 158	12 269 768	2 000 035	-	-	30 548 961
Assets pledged as collateral	-	11 029 971	-	-	-	11 029 971
Trade and other receivables	-	-	-	-	4 520 195	4 520 195
Investments in associates	-	-	-	-	1 696 055	1 696 055
Inventories	-	-	-	-	249 941	249 941
Investment property	-	-	-	-	6 447 760	6 447 760
Intangible assets	-	-	-	-	706 878	706 878
Property and equipment	-	-	-	-	4 123 830	4 123 830
Assets classified as held for sale	-	-	-	338 846	-	- 338 846
Total assets	40 071 870	23 299 739	2 000 035	338 846	17 744 659	83 455 149

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Foreign lines of credit	35 964 316	-	1 200 000	1 200 000	-	38 364 316
Local lines of credit	10 821 136	-	-	-	-	10 821 136
Other liabilities	-	-	-	-	3 125 162	3 125 162
Shareholders' equity	-	-	-	-	(14 358 150)	(14 358 150)
Total equity and liabilities	93 488 137	-	1 200 000	1 200 000	(11 232 988)	84 655 149
Total interest repricing gap	(53 416 267)	23 299 739	800 035	(861 154)	28 977 647	(1 200 000)
Total cumulative gap	(53 416 267)	(30 116 529)	(29 316 493)	(30 177 647)	(1 200 000)	-
Assets						
Cash and cash equivalents	54 047 242	-	-	-	-	54 047 242
Financial assets at fair value through profit or loss	-	-	-	-	47 927	47 927
Investment in associates	-	-	-	-	1 969 088	1 969 088
Loans and advances to customers	-	38 831 714	-	-	-	38 831 714
Assets pledged as collateral	-	13 856 345	-	-	-	13 856 345
Trade and other receivables	-	-	-	-	1 620 422	1 620 422
Investment property	-	-	-	-	5 361 860	5 361 860
Inventories	-	-	-	-	1 251 744	1 251 744
Property and equipment	-	-	-	-	4 154 927	4 154 927
Assets classified as held for sale	-	-	-	-	264 861	264 861
Total assets	54 047 242	52 688 059	-	-	14 670 829	121 406 130

As at 31 December 2010

Liabilities						
Deposits from customers	19 662 703	-	-	-	-	19 662 703
Foreign lines of credit	36 446 555	-	-	-	-	36 446 555
Local lines of credit	83 136 571	-	-	-	-	83 136 571
Other liabilities	-	-	-	-	2 233 139	2 233 139
Shareholders' equity	-	-	-	-	(20 072 841)	(20 072 841)
Total equity and liabilities	139 245 829	-	-	-	(17 839 702)	121 406 127
Total interest repricing gap	(85 198 588)	52 688 059	-	-	32 510 531	-
Total cumulative gap	(85 198 588)	(32 510 529)	(32 510 529)	(32 510 529)	-	-

3.4.2 Interest risk sensitivity analysis

The table below indicates the sensitivity to a reasonable possible change in interest rates, with all other variables held constant, and the impact on the Group's statement of comprehensive income. The rates used for the sensitivity are approved by the MALCO committee.

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Interest rate change	Effect on profit before income tax 2011 US$	Effect on profit before income tax 2010 US$
5% increase / (decrease)	494 348	269 817
10% increase / (decrease)	988 695	539 633

3.4.2. Foreign exchange risk

The Group is exposed to the effects of fluctuations in the prevailing foreign currency exchange rates on its financial position and cash flows. The Board sets limits on the level of exposure by currency and in aggregate for both overnight and intra-day positions, which are monitored daily. The table below summarises the Group's exposure to foreign currency exchange rate risk as at 31 December.

Concentrations of currency risk -on - off balance sheet financial instruments as at 31 December was as follows:

As at 31 December 2011

	US$	ZAR US$ equivalent	BWP US$ equivalent	GBP US$ equivalent	Euro US$ equivalent	Other US$ equivalent	Total US$
Assets							
Balances with banks and cash	21 045 699	179 298	30 234	14 401	2 464 962	14 214	23 748 808
Financial assets at fair value through profit or loss	43 904	-	-	-	-	-	43 904
Loans and advances	30 548 961	-	-	-	-	-	30 548 961
Assets pledged as collateral	11 029 971	-	-	-	-	-	11 029 971
Trade and other receivables	4 520 195	-	-	-	-	-	4 520 195
	67 188 730	179 298	30 234	14 401	2 464 962	14 214	69 891 839
Liabilities and shareholders' equity							
Deposits from customers	46 661 163	12 352	28 993	177	-	-	46 702 685
Foreign lines of credit	11 043 186	-	-	1 640 756	19 970 139	4 510 235	37 164 316

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Local lines of credit	10 821 136	-	-	-	-	-	10 821 136
Other liabilities	3 125 162	-	-	-	-	-	3 125 162
	71 650 647	12 352	28 993	1 640 933	19 970 139	4 510 235	97 813 299
Net foreign exchange position	(4 461 917)	166 946	1 241	(1 626 532)	(17 505 177)	(4 496 021)	-

As at 31 December 2010

	US$	ZAR US$ equivalent	BWP US$ equivalent	GBP US$ equivalent	Euro US$ equivalent	Other US$ equivalent	Total US$
Assets							
Balances with banks and cash	53 879 364	39 172	106 413	4 806	452	17 035	54 047 242
Financial assets at fair value through profit or loss	47 927	-	-	-	-	-	47 927
Loans and advances	38 831 714	-	-	-	-	-	38 831 714
Assets pledged as collateral	13 856 345	-	-	-	-	-	13 856 345
Trade and other receivables	1 620 422	-	-	-	-	-	1 620 422
	108 235 772	39 172	106 413	4 806	452	17 035	108 403 650
Liabilities and shareholders' equity							
Deposits from customers	19 654 723	1 855	-	6 125	-	-	19 662 703
Foreign lines of credit	10 896 477	-	-	1 575 796	19 762 395	4 211 887	36 446 555
Local lines of credit	83 136 571	-	-	-	-	-	83 136 571
Other liabilities	1 664 147	-	-	-	-	-	1 664 147
	115 351 918	1 855	-	1 581 921	19 762 395	4 211 887	140 909 976
Net foreign exchange position	(7 116 146)	37 317	106 413	(1 577 115)	(19 761 943)	(4 194 852)	-

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The Group had no off balance sheet foreign currency exposure as at 31 December 2011 (31 December 2010 - US$nil).

Foreign exchange risk
The table below indicates the extent to which the Group is exposed to foreign exchange risk as at 31 December 2011.The Group is mainly exposed to the Euro as a result of the legacy debt and below is a sensitivity analysis on the Euro exposure:

Exchange rate change	Effect on profit before tax 2011 US$	Effect on profit before tax 2010 US$
5% appreciation/(depreciation)	875 259	988 097
10% appreciation/(depreciation)	1 750 518	1 976 194

3.4.3. Price risk
The Group is exposed to equity securities price risk because of investments held by the Group and classified on the consolidated statement of financial position as financial assets at fair value through profit or loss. The Group is not exposed to commodity price risk. To manage its price risk arising from investments in equity securities, the Group diversifies its portfolio. The Group's quoted equity securities are publicly traded on the Zimbabwe Stock Exchange.

Below is a summary of the impact of increases/(decreases) of the equity index on the Group`s profit for the year and on equity. The analysis is based on the assumption that the equity index had increased/(decreased) by 5% with all other variables held constant and all the Group's equity instruments moved according to the historical correlation with the index.

Profit for the year would increase/(decrease) by US$ 2 196 (2010 : US$2 396).

4 CAPITAL MANAGEMENT
The Group's objective when managing capital are :
-To safe guard the Group's ability to continue as a going concern so that it can continue to provide returns to shareholders and benefits for other stakeholders, and
-To maintain a strong capital base to support the development of its business

The allocation of capital between specific business operations is, to a large extent, driven by optimisation of the return achieved on the capital allocated. The process of allocating capital to specific operations is undertaken independently of those responsible for the operations. The Management Assets and Liability Committee ("MALCO") sets the assets and liability management policies which determine the eventual asset allocation dependent on desired risk return profiles based on MALCO forecasts on the different markets the Group participates in and economic fundamentals. The Group Risk Department monitors and ensures adherence to these policies as well as continuously measure the efficacy of these policies through MALCO and various other credit committees.

Although maximisation of the return on risk adjusted capital is the principal basis used in determining how capital is allocated within the Group to particular operations or activities, it is not the sole basis used for decision

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making. Account is also taken of synergies with other operations and activities, the availability of management and other resources, and the fit of the activity with the Group's longer term strategic objectives. The Group's policies in respect of capital management and allocation are reviewed regularly by the Board of Directors.

The Group's capital is monitored using the dollar amount of the net shareholders' equity position, noting and explaining the causes of significant changes.

5 FAIR VALUE FINANCIAL ASSETS AND LIABILITIES

5.1.1 Fair value estimation

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 - Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).
- Level 3 - Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).

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

The following table presents the Group's assets and liabilities that are measured at fair value at 31 December 2011.

At 31 December 2011	Level 1 US$	Level 2 US$	Level 3 US$
Financial assets at fair value through profit or loss	43 904	-	-
Total assets	43 904	-	-
Total liabilities	-	-	-

At 31 December 2010	Level 1 US$	Level 2 US$	Level 3 US$
Financial assets at fair value through profit or loss	47 927	-	-
Total assets	47 927	-	-
Total liabilities	-	-	-

5.1.2 Financial instruments not measured at fair value

The table below summarises the carrying amounts and fair values of those financial assets and liabilities presented in the Group's statement of financial position at their fair values. Fair value of deposits from customers approximates carrying amount

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	Carrying value 31 Dec 2011 US$	Fair value 31 Dec 2011 US$	Carrying value 31 Dec 2010 US$	Fair value 31 Dec 2010 US$
Financial assets :				
Loans and advances to customers	30 548 961	30 548 961	38 831 714	38 831 714
Assets pledged as collateral	11 029 971	11 029 971	13 856 345	13 856 345
Financial liabilities:				
Deposit from customers	46 702 685	46 702 685	19 660 848	19 660 848
Lines of credit:				
-foreign	37 164 316	37 164 316	36 446 555	36 446 555
-local	10 821 136	10 821 136	83 136 571	83 136 571

It is assessed that the carrying amounts approximates their fair values because of their nature and their short tenor.

(a) *Loans and advances to customers*

Loans and advances are net of charges for impairment. The estimated fair value of loans and advances represents the discounted amount of estimated future cash flows expected to be received. Expected cash flows are discounted at current market rates to determine fair value. As the loans and advances are issued at variable rates, the carrying amount approximates fair value.

(b) *Deposits from customers*

The estimated fair value of deposits with no stated maturity, which includes non-interest bearing deposits, is the amount repayable on demand. All deposits are in this category therefore the carrying amount approximates fair value.

5.1.3 Risk limit control and mitigation policies

The Group manages, limits and controls concentrations of credit risk wherever they are identified - in particular, to individual counterparties and groups, and to industries .

The Group structures the levels of credit risk it undertakes by placing limits on the amount of risk accepted in relation to one borrower, or groups of borrowers, and industry segments. Such risks are monitored on a revolving basis and subject to an annual or more frequent review, when considered necessary. Limits on the level of credit risk by product, and industry sector are approved by the Board of Directors.

Exposure to credit risk is also managed through regular analysis of the ability of borrowers and potential borrowers to meet interest and capital repayment obligations and by changing these lending limits where appropriate. Some other specific control and mitigation measures are outlined below:

a) Collateral

The Group employs a range of policies and practices to mitigate credit risk. The most traditional of these is the taking of security for funds advanced, which is common practice. The Group implements guidelines on the acceptability of specific classes of collateral or credit risk mitigation. The principal collateral types for loans and advances are:

- Mortgages over residential properties; and
- Charges over business assets such as premises, inventory and trade receivables.

Longer-term finance and lending to corporate entities are generally secured. In addition, in order to minimise

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the credit loss, the Group will seek additional collateral from the counterparty as soon as impairment indicators are noticed for the relevant individual loans and advances.

b) Credit-related commitments

The primary purpose of these instruments is to ensure that funds are available to a customer when required. Guarantees and standby letters of credit carry the same credit risk as loans. Documentary and commercial letters of credit – which are written undertakings by the Group on behalf of a customer authorising a third party to draw drafts on the Group up to a stipulated amount under specific terms and conditions - are collateralised by the underlying shipments of goods to which they relate and therefore carry less risk than a direct loan.

Commitments to extend credit represent unused portions of authorisations to extend credit in the form of loans, guarantees or letters of credit. With respect to credit risk on commitments to extend credit, the Group is potentially exposed to loss in an amount equal to the total unused commitments. However, the likely amounts of loss is less than the total unused commitments, as most commitments to extend credit are contingent upon customers maintaining specific credit standards. The Group monitors the term to maturity of credit commitments because longer-term commitments generally have a greater degree of credit risk than shorter-term commitments.

5.2 Impairment and allowances policies

Impairment allowances are recognised for financial reporting purposes only for losses that have been incurred at the balance sheet date based on objective evidence of impairment. Due to the different methodologies applied, the amount of incurred credit losses provided for in the financial statements are usually lower than the amount determined from the expected loss model that is used for internal operational management and banking regulation purposes.

5.2.1 Impairment and allowances policies

The internal rating tool assists management to determine whether objective evidence of impairment exists under IAS 39 Financial Instruments: Recognition and Measurement, based on the following criteria set out by the Group:

- Delinquency in contractual payments of principal or interest;
- Cash flow difficulties experienced by the borrower (e.g. equity ratio, net income percentage of sales);
- Breach of loan covenants or conditions;
- Initiation of bankruptcy proceedings;
- Deterioration of the borrower's competitive position;
- Deterioration in the value of collateral; and
- Downgrading below investment grade level.

The Group's policy requires the review of individual financial assets that are above materiality thresholds at least annually or more regularly when individual circumstances require. Impairment allowances on individually assessed accounts are determined on a case-by-case basis, and are applied to all individually significant accounts. The assessment normally encompasses collateral held (including re-confirmation of its enforceability) and the anticipated receipts for that individual account. Collectively assessed impairment allowances are provided for: (i) portfolios of homogenous assets that are individually below materiality thresholds; and (ii) losses that have been incurred but have not yet been identified, by using the available historical experience, experienced judgements and statistical techniques.

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6 CORRECTION OF PRIOR PERIOD ERRORS

Investment property

The Group acquired Agrihope Farm during the financial year ended 31 December 2007, as result of a foreclosure of a non performing loan due from Agrihope Enterprises (Private) Limited. However the acquired farm was not accounted for in the books of accounts of the Group in 2007, because the paper work was not passed on to the finance department. The effect of the error was to understate reserves and investment property as at 1 January 2009 and subsequently the gains in fair value of the investment property for the year ended 31 December 2010.

Subsidiaries not consolidated and associate companies not equity accounted for

The Group did not consolidate the financial statements of its subsidiary, Norton Medical Investments (Private) Limited, and did not recognise its investment in associates and equity account the results of its associates because of the non availability of financial statements. The associates not accounted for are Lashlands Safaris (Private) Limited and Nyamazi (Private) Limited.

The effect of not accounting for the subsidiaries and investments in associates, was to understate the following account balances: trade and other receivables, investments in associates, investments in subsidiaries. investment property, property plant and equipment, assets held for sale, non distributable reserves, retained earnings and other liabilities, as disclosed below:

Year ended 31 December 2009	CONSOLIDATED			BANK		
	EQUITY AND LIABILITIES			EQUITY AND LIABILITIES		
	Other liabilities	Non distributable reserve	Accumulated losses	Non - controlling interest	Non distributable reserve	Accumulated losses
	US$	US$	US$	US$	US$	US$
Balance as at 31 December 2009 as previously reported	532 086	(23 978 457)	(3 101 249)	204 132	(24 785 733)	(3 305 339)
Correction of prior period errors:						
Recognition of assets not accounted for at the date of change in functional currency	-	1 039 724	-	-	1 039 724	-
Recognition of subsiduaries and associates not prevously accounted for	568 992	572 745	18 550	332 403	1 643 293	-
Balance as at 31 December 2009, as restated	1 101 078	(22 365 988)	(3 082 699)	536 535	(22 102 716)	(3 305 339)

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Year ended 31 December 2009	CONSOLIDATED				BANK	
	ASSETS				ASSETS	
	Investment in associates	Investment property	Property and equipment	Other Assets	Investment in associates and subsidiaries	Investment property
	US$	US$	US$	US$	US$	US$
Balance as at 31 December 2009, as previously reported	927 445	2 643 401	2 498 007		1 894 945	2 643 401
Correction of prior period errors:						
Recognition of assets not accounted for at the date of change in functional currency	-	1 039 724	1 400 000	-	-	1 039 724
Recognition of subsiduaries and associates not prevously accounted for	92 690	-	-	18 550	1 643 293	-
Balance as at 31 December 2009, as restated	1 020 135	3 683 125	3 898 007	18 550	3 538 238	3 683 125

Year ended 31 December 2010	CONSOLIDATED				BANK	
	EQUITY AND LIABILITIES				EQUITY AND LIABILITIES	
	Other liabilities	Non distributable reserve	Accumulated losses	Non-controlling interest	Non distributable reserve	Accumulated losses
	US$	US$	US$	US$	US$	US$
Balance as at 31 December 2010 as previously reported	1 664 147	(23 986 082)	855 639	222 900	(24 774 013)	730 474
Correction of errors restated in 2009	568 992	1 612 469	18 550	332403	1 113 864	-
Balance as at 31 December 2010 as restated	2 233 139	(22 373 613)	874 189	555 303	(23 660 149)	730 474

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	CONSOLIDATED			BANK		
	ASSETS			ASSETS		
	Investment in associates US$	Investment property US$	Property and equipment US$	Investment in associates US$	Investment property US$	Property and equipment US$
Balance as at 31 December 2010, as previously reported	1 894 945	4 322 136	2 754 927	1 894 945	4 322 136	2 754 927
Correction of errors restated in 2009	92 690	1 039 724	1 400 000	18 550	1 039 724	-
Balance as at 31 December 2010 as restated	1 987 635	5 361 860	4 154 927	1 913 495	5 361 860	2 754 927

	CONSOLIDATED			BANK		
7 CASH AND CASH EQUIVALENTS	2011 US$	2010 US$	2009 US$	2011 US$	2010 US$	2009 US$
Cash on hand	198 269	91 528	16 593	198 269	91 528	16 593
Balances with banks	23 550 539	53 955 714	1 854 070	23 456 674	53 868 460	1 819 056
	23 748 808	54 047 242	1 870 663	23 654 943	53 959 988	1 835 649
Current	23 748 808	54 047 242	1 870 663	23 654 943	53 959 988	1 835 649
Cash and cash equivalents include the following for the purposes of the statement of cash flows:						
Cash and cash equivalents	23 748 808	54 047 242	1 870 663	23 654 943	53 959 988	1 835 649

8 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

Listed equity securities	43 904	47 927	44 351	5 947	9 434	6 497
Current	43 904	47 927	44 351	5 947	9 434	6 497

Financial assets at fair value through profit or loss are presented within 'operating activities' as part of "non cash adjustments" in the statement of cashflows. Changes in fair values of financial assets at fair value through profit or loss are recorded in statement of comprehensive income (note 26). The fair value of all equity securities is based on their current bid prices in an active market, the Zimbabwe Stock Exchange ("ZSE")

	CONSOLIDATED			BANK		
9 LOANS AND ADVANCES TO CUSTOMERS	2011 US$	2010 US$	2009 US$	2011 US$	2010 US$	2009 US$
Individual - term loans	497 159	265 448	-	497 159	265 448	-
Corporate						
- corporate customers	36 738 630	42 004 544	8 373 980	36 579 208	41 719 132	8 373 980
Gross loans and advances to customers	38 719 863	42 269 992	8 373 980	37 076 367	41 984 580	8 373 980
Less: allowance for impairment (note 9.1)	(8 170 902)	(3 438 278)	(514 757)	(6 660 204)	(3 411 654)	(514 757)
Net loans and advances to customers	30 548 961	38 831 714	7 859 223	30 416 163	38 572 926	7 859 223
Current	30 548 961	38 831 714	7 859 223	30 416 163	38 572 926	7 859 223

		CONSOLIDATED			BANK		
		2011 US$	2010 US$	2009 US$	2011 US$	2010 US$	2009 US$
9	LOANS AND ADVANCES TO CUSTOMERS (continued)						
9.1	Allowances for impairment of loans and advances						
	Specific allowances for impairment						
	Balance at 1 January	3 438 278	514 757	-	3 411 654	514 757	-
	Allowance for loan impairment	5 745 473	2 923 521	514 757	5 745 473	2 896 897	514 757
	Loans written off	(1 012 849)	-	-	(1 012 849)	-	-
	Balance at 31 December	8 170 902	3 438 278	514 757	8 144 278	3 411 654	514 757
9.2.1	Maturity analysis of loans and advances to customers						
	Not later than one month	16 279 158	13 646 140	7 859 223	16 146 360	13 646 140	7 859 223
	Not later than three months	12 269 768	25 185 574	-	12 269 768	24 926 786	-
	Not later than six months	2 000 035	-	-	2 000 035	-	-
	Not later than one year	-	-	-	-	-	-
		30 548 961	38 831 714	7 859 223	30 416 163	38 572 926	7 859 223

Impaired loans and securities
Impaired loans and securities are loans and securities for which the Group determined that it is probable that it will be unable to collect all principal and interest due according to the contractual terms of the loan/securities agreements.

Past due but not impaired loans
Loans and securities where contractual interest or principal payments are past due but the Group believes that impairment is not appropriate on the basis of the level of securities/collateral available and/or the stage of collection of amounts owed to the Group.

Loans with renegotiated terms
Loans with renegotiated terms are loans that have been restructured due to deterioration of the borrower's financial position and where the Group has made concessions that it would not otherwise consider. Once the loan is restructured it remains in this category independent as satisfactory performance after restructuring.

Allowances for impairment
The Group establishes an allowance for impairment losses that represents its estimate of incurred losses in its loan portfolio. The main components of this allowances are a specific loss component that relates to individually significant exposures, and a collective loan loss allowances established for the group of homogenous assets in respect of losses that have been incurred but have not been identified on loans subject to individual assessment for impairment.

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Write-off policy

The Group writes off a loan/security balance (and any related allowances for impairment losses) when the Group's Credit Control Unit determines that the loans/securities are uncollectible. This determination is reached after considering information such as occurrence of significant changes in the borrower/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 standardized loans, change off decisions generally are based on a product specific past due status.

9.2.2 Sectorial analysis of loans and advances to customers

	Percentage (%)	2011 US$	Percentage (%)	2010 US$	Percentage (%)	2009 US$
Manufacturing	25%	7 554 398	27%	10 604 778	56%	4 401 165
Retail	11%	3 412 160	4%	1 525 798	19%	1 493 252
Agro processing	19%	5 732 985	13%	5 079 756	9%	707 330
Mining	10%	3 212 007	3%	1 260 372	5%	392 961
Tourism and hospitality	9%	2 785 105	0%	67 165	5%	423 612
Telecommunications	10%	3 190 139	17%	6 460 417	0%	-
Motor industry	0%	-	0%	136 236	0%	-
Construction	8%	2 454 087	0%	116 989	0%	-
Financial institutions	6%	1 710 919	35%	13 300 000	0%	-
Individuals and other services	2%	497 160	1%	280 203	6%	440 903
	100%	30 548 961	100%	38 831 714	100%	7 859 223

9.3 Assets pledged as collateral

Assets are pledged as collateral for security deposits relating to fixed deposits and bankers acceptances from other financial institutions.

The nature and carrying amounts of the assets pledged as collaterals are as follows:

	Asset			Related liability		
	2011 US$	2010 US$	2009 US$	2011 US$	2010 US$	2009 US$
Financial assets held to maturity	11 029 971	13 856 345	-	8 040 008	9 523 288	-
Current	11 029 971	13 856 345	-	8 040 008	9 523 288	-

All collateral agreements mature within 12 months.

10 TRADE AND OTHER RECEIVABLES

	CONSOLIDATED			BANK		
	2011 US$	2010 US$	2009 US$	2011 US$	2010 US$	2009 US$
Trade receivables	3 115 684	1 413 722	279 000	2 227 079	629 082	-
Less: allowance for impairment	(192 452)	-	-	(192 451)	-	-
Net trade receivables	2 923 232	1 413 722	279 000	2 034 628	629 082	-
Pre-payments	1 580 399	188 150	646 014	1 543 468	52 799	359 637
Amounts due by group companies	-	-	-	630 947	620 357	549 233
Other	16 564	18 550	18 550	16 564	-	-
	4 520 195	1 620 422	943 564	4 225 607	1 302 238	908 870
Current	4 520 195	1 620 422	943 564	4 225 607	1 302 238	908 870

11 INVESTMENTS IN SUBSIDIARIES AND ASSOCIATES

11.1 Investment in subsidiaries

The Group has inherited subsidiaries from its predecessor and the shareholding in these entities is as follows:

	Shareholding as at 31 Dec 2011 Percentage (%)	Shareholding as at 31 Dec 2010 Percentage (%)
Subsidiaries		
Waneka Investments (Private) Limited	70	70
Simtake Investments (Private) Limited	92	92
Makeup Investments (Private) Limited	100	100
Manellie Investments (Private) Limited	100	100
Norton Medical Investments (Private) Limited	60	60
Special purpose entities		
Poundstone Investments (Private) Limited	100	100

All subsidiaries have been consolidated in these financial statements.

11.2 Investments in associates

The Group has inherited associates from its predecessor and the shareholding in these entities as follows:

Africom Continental (Private) Limited	30	30
Shungu Engineering (Private) Limited	20	20
Lashlands Safaris (Private) Limited	25	25
Nyamazi Lodge (Private) Limited	26	26
Bestafoam (Private) Limited	20	20

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The Group recognised a fair value for Nyamazi and Lashland Safaris, which previously had a nil value.

The fair values were determined by independent valuations

A transfer has been made out of non distributable reserves so as to recognise the investments in Nyamazi and Lashland Safaris .The investments in Nyamazi and Kanyemba were then immediately reclassified to non-current assets held for sale (note16).

	2011 US$	2010 US$	2009 US$
At 1 January	1 969 085	1 001 585	927 445
Share of loss of associates	(198 890)	-	-
Investments acquired	-	967 500	-
Recognition of associate not previously accounted for (note 6)	-	-	74 140
Reclassified to non current asset held for sale	(74 140)	-	-
At 31 December	1 696 055	1 969 085	1 001 585

12 INVENTORIES

	CONSOLIDATED			BANK		
	2011 US$	2010 US$	2009 US$	2011 US$	2010 US$	2009 US$
Raw materials	189 504	200 003	670 836	-	-	-
Finished Goods	60 437	1 051 741	476 861	60 436	1 051 824	-
	249 941	1 251 744	1 147 697	60 436	1 051 824	-
Current	249 941	1 251 744	1 147 697	60 436	1 051 824	-

During the year there was an inventory write-down, as the cost of some finished goods were greater than their net realisable value. The value of the inventory write-down amounted to US$ 4 197

13 INVESTMENT PROPERTY

	CONSOLIDATED		
	2011 US$	2010 US$	2009 US$
Balance as at 1 January	5 361 860	3 683 125	4 157 224
Additions during the year	69 150	33 000	1 726
Disposals during the year	-	(47 500)	(56 625)
Net gain/(loss) from fair value adjustment	1 016 750	1 693 235	(419 200)
Balance as at 31 December	6 447 760	5 361 860	3 683 125
Non-current	6 447 760	5 361 860	3 683 125
Analysis by nature;			
Residential stands	1 894 036	1 308 136	998 401
Commercial and industrial properties	4 553 724	4 053 724	2 684 724
	6 447 760	5 361 860	3 683 125

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Included in the statement of comprehensive income are the following amounts which relate to investment properties held by the Group.

Rental income	258 955	209 298	178 843

The Group's investment properties were revalued at 31 December 2011 by independent professionally qualified valuers who hold a recognised relevant professional qualification and have recent experience in the locations and categories of the investment properties valued.

The carrying amount of the investment property is at fair value as determined by an independent valuation. Fair values were determined having regard to market transactions for similar properties in the same location as the Group's investment properties.

Investment property includes a number of commercial and residential properties that are leased to third parties. On average the leases contain a cancellable period of up to one year. Subsequent renewals are negotiated with the Lessee.

14 INTANGIBLE ASSETS

Computer software

	US$
Year ended 31 December 2011	
Opening net book amount	-
Transfer from property and equipment (note 15)	799 892
Amortisation	(93 014)
Closing net book amount	706 878
At 31 December 2011	
Cost	799 892
Accumulated amortisation	(93 014)
Closing net book amount	706 878

Amortisation of US$ 93 014 (2010: US$ nil) has been charged to operating expenses.

15 PROPERTY AND EQUIPMENT

	Land and buildings	Computer and office equipment	Motor vehicles	Fixtures and fittings	Capital Work in progress	Total
Year ended 31 December 2009	US$	US$	US$	US$	US$	US$
Deemed cost at 1 January 2009	1 915 625	27 125	816 640	27 401	-	2 786 791
Additions	-	12 963	-	-	1 400 000	1 412 963
Disposals	-	-	-	-	-	-
Depreciation charge	(24 194)	(24 725)	(228 800)	(24 028)	-	(301 747)
Closing net book amount	1 891 431	15 363	587 840	3 373	1 400 000	3 898 007

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	Land and buildings	and office equipment	Motor vehicles	Fixtures and fittings	Work in progress	Total
At 31 December 2009						
Cost	2 000 000	305 172	1 284 000	435 891	1 400 000	5 425 063
Accumulated depreciation	(108 569)	(289 809)	(696 160)	(432 518)	-	(1 527 056)
Net book amount	1 891 431	15 363	587 840	3 373	1 400 000	3 898 007
Year ended 31 December 2010						
Opening net book amount	1 891 431	15 363	587 840	3 373	1 400 000	3 898 007
Additions	-	58 772	170 813	3 511	364 256	597 352
Disposals	-	-	-	-	-	-
Depreciation charge	(36 147)	(24 724)	(275 029)	(4 531)	-	(340 431)
Closing net book amount	1 855 284	49 411	483 624	2 353	1 764 256	4 154 928
At 31 December 2010						
Cost	2 000 000	363 944	1 454 812	439 402	1 764 256	6 022 414
Accumulated depreciation	(144 716)	(314 533)	(971 188)	(437 049)	-	(1 867 486)
Net book amount	1 855 284	49 411	483 624	2 353	1 764 256	4 154 928
Year ended 31 December 2011						
Opening net book amount	1 855 284	49 411	483 624	2 353	1 764 256	4 154 928
Additions	-	242 103	434 293	11 271	435 636	1 123 303
Disposals	-	-	-	-	-	-
Transfers to intangible assets	-	-	-	-	(799 892)	(799 892)
Depreciation charge	(36 147)	(56 090)	(259 187)	(3 085)	-	(354 509)
Net book amount	1 819 137	235 424	658 730	10 539	1 400 000	4 123 830
At 31 December 2011						
Cost	2 000 000	606 047	1 889 105	450 673	1 400 000	6 345 825
Accumulated depreciation	(180 863)	(370 623)	(1 230 375)	(440 134)	-	(2 221 995)
Net book amount	1 819 137	235 424	658 730	10 539	1 400 000	4 123 830

Property and equipment are subjected to impairment testing by comparing the carrying amounts at the reporting date, with the market prices quoted for similar assets and adjusted for different ages. No items of property and equipment were considered impaired.

Depreciation expense of US$ 354 509 (2010: US$ 340 431) has been charged to operating expenses (note 30)

There was a transfer in capital work in progress. This relates to software that had been capitalised during the year (note 14)

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16 NON-CURRENT ASSETS HELD FOR SALE

	2011 US$	2010 US$	2009 US$
Investment in associates	74 140	-	-
Construction materials and prepayments to contractors	264 706	264 861	-
Total	338 846	264 861	-

Investment in associates

Investments in Lashland Safaris (Private) Limited and Nyamazi (Private) Limited have been presented as held for sale following Board approval to sell on 29 November 2011. The transaction is expected to be completed before 31 December 2012.

Construction materials and prepayments to contractors

The assets related to Simtake Investments (Private) Limited that is a part of the special purpose vehicle have been presented as held for sale following the approval of the Group's management to sell the Willowvale flats development project to the Ministry of Housing and Social Amenities.

These assets have been held for sale for a period longer than a year due to the nature of the transactions which required substantial period of time to be completed. The transaction was completed on 31 May 2012.

17 SHARE CAPITAL AND SHARE PREMIUM

Authorised share capital

15 000 000 ordinary shares with a nominal value of US$0,01

Zero percent, fully convertible, non redeemable preference shares

The directors are authorised to issue an unlimited number of preference shares.

The Group conducted a rights issue during the year to raise US$10.5 million from existing shareholders at offer price of US$28.19 per share and a nominal value of US$0.01 per share.

At year end US$ 5 million had been received in relation to the rights issue and this equates to an allotment of 177 354 ordinary shares

Issued share capital

	Number of shares	Share capital US$	Share premium US$	Total US$
At 1 January 2010				
Redenomination of share capital	2 128 033	21 280		
Issue of shares	25 727	257	849 743	850 000
At 31 December 2010	2 153 760	21 537	849 743	871 280
At 1 January 2011	2 153 760	21 537	849 743	871 280

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Issue of shares	177 354	1 774	4 998 226	5 000 000
At 31 December 2011	2 331 114	23 311	5 847 969	5 871 280

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Bank. All shares rank equally with regard to the Group's residual assets.

18 OTHER EQUITY RESERVES

18.1 Non distributable reserves

The reserve arose as the net effect of restatement of assets and liabilities previously denominated in the Zimbabwe dollar on 1 January 2009.

19 DEPOSITS FROM CUSTOMERS

Deposits due to customers are primarily composed of amount payable on demand and term deposits.

	2011 US$	2010 US$	2009 US$
Large corporate customers	45 821 803	19 405 022	6 860 578
Retail customers	880 882	257 681	252 896
	46 702 685	19 662 703	7 113 474

19.1 Maturity analysis of deposits from customers

	2011 US$	2010 US$	2009 US$
Not later than one month	36 988 177	8 746 451	2 463 489
Not later than three months	500 000	10 916 252	4 649 985
Not later than six months	9 214 508	-	-
	46 702 685	19 662 703	7 113 474

Deposits due to customers only include financial instruments classified as liabilities at amortised costs. Fair value of deposits from customers approximates carrying amount, because of their short tenor.

19.2 Sectorial analysis of deposits from customers

	2011 Percentage (%)	2011 US$	2010 Percentage (%)	2010 US$	2009 Percentage (%)	2009 US$
Communication	3%	1 240 900	33%	6 460 417	35%	2 483 987
Financial markets	1%	501 042	24%	4 770 000	8%	597 992
Fund managers and pension funds	19%	9 066 329	23%	4 549 922	43%	3 036 696
Individuals	0%	241 919	1%	257 681	4%	252 896
Government and public sector institutions	75%	34 795 889	0%	-	0%	-
Other services	2%	856 606	19%	3 624 683	10%	741 903
	100%	46 702 685	100%	19 662 703	100%	7 113 474

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		2011 US$	2010 US$	2009 US$
20	**FOREIGN LINES OF CREDIT**			
20.1	**Lines of credit**	37 164 316	36 446 555	36 295 815
20.2	**Maturity analysis of loans**			
	Principal balances not yet due	1 200 000	1 200 000	1 200 000
	Arrears	35 964 316	35 246 555	35 095 815
		37 164 316	36 446 555	36 295 815
20.3	**Maturity analysis of gross amount**			
	On demand, due to being in arrears	35 964 316	35 246 555	35 095 815
	Maturity within 1 year	-	-	-
	Maturity after 1 year but within 5 years	1 200 000	-	-
	Maturity after 5 years	-	1 200 000	1 200 000
		37 164 316	36 446 555	36 295 815
20.4	Current	35 964 316	35 246 555	35 095 815
	Non-current	1 200 000	1 200 000	1 200 000
		37 164 316	36 446 555	36 295 815

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20.4 Detailed analysis by currency

Year ended 31 December 2011

Foreign currency	Interest rate	Final redemption date	Principal balance opening FC	Draw down FC	Repayment FC	Principal balance closing FC	Arrears own currency FC	Capital billings FC	Exchange rate	Arrears closing balance US$	Total lines of credit US$
GBP											
EIB I	5.00%	1999	-	-	-	-	102 064	-	1.552	158 403	158 403
EIB IV	4.35%	2004	-	-	-	-	964 179	-	1.552	1 496 406	1 496 406
CHF											
EIB I	5.00%	1999	-	-	-	-	465 820	-	1.065	496 098	496 098
EIB IV	3.00%	2004	-	-	-	-	1 543 740	-	1.065	1 644 083	1 644 083
JPY											
EIB I	5.00%	1999	-	-	-	-	73 821 180	-	0.013	951 958	951 958
EIB II	3.00%	2002	-	-	-	-	128 752 010	-	0.013	1 660 316	1 660 316
EURO											
DEG INCOME NOTES	8.00%	2001	-	-	-	-	1 550 060	-	1.270	1 968 060	1 968 060
EIB II	3.00%	2002	-	-	-	-	6 616 236	-	1.270	8 400 417	8 400 417
EIB IV (ex ITL)	3.00%	2004	-	-	-	-	4 262 911	-	1.270	5 412 478	5 412 478
EIB IV (ex FFr)	3.00%	2004	-	-	-	-	3 040 892	-	1.270	3 860 920	3 860 920
EIB II (ex DEM)	3.00%	2002	-	-	-	-	-	-	-	-	-
DEN DANSKE (ex DKK)	0.00%	2003	-	-	-	-	-	-	-	-	-
EIB RISK CAPITAL	0.00%	2002	-	-	-	-	-	-	-	-	-
EIB TRAINING/SPECIAL FUNDS	0.00%	2002	-	-	-	-	-	-	-	-	-
US$											
COMMON FUND											
COMMODITIES -CFC	3.00%	2017	1 200 000	-	-	1 200 000	-	-	1.000	-	1 200 000
EIB IV	2.61%	2004	-	-	-	-	5 445 171	-	1.000	5 445 171	5 445 171
FINN FUND II	3.00%	2004	-	-	-	-	4 470 006	-	1.000	4 470 006	4 470 006
Total shareholders' loans										35 964 316	37 164 316

80% of the loans were guaranteed by the Government of Zimbabwe.
Exchange rate was rounded off to the nearest 3 decimal places

20.4 Detailed analysis by currency (continued)

Year ended 31 December 2010	Interest rate	Final redemption date	Principal balance opening FC	Draw down FC	Repayment FC	Principal balance closing FC	Arrears own currency FC	Capital billings FC	Exchange rate	Arrears closing balance US$	Total lines of credit US$
Foreign currency											
GBP											
EIB I	5.00%	1999	-	-	-	-	102 064	-	1.544	157 607	157 607
EIB IV	4.35%	2004	-	-	-	-	918 398	-	1.544	1 418 190	1 418 190
CHF											
EIB I	5.00%	1999	-	-	-	-	465 820	-	0.969	451 333	451 333
EIB IV	3.00%	2004	-	-	-	-	1 466 702	-	0.969	1 421 088	1 421 088
JPY											
EIB I	5.00%	1999	-	-	-	-	73 821 180	-	0.012	885 854	885 854
EIB II	3.00%	2002	-	-	-	-	121 135 258	-	0.012	1 453 623	1 453 623
EURO											
DEG INCOME NOTES	8.00%	2001	-	-	-	-	1 483 624	-	1.331	1 973 962	1 973 962
EIB II	3.00%	2002	-	-	-	-	6 065 933	-	1.331	8 070 723	8 070 723
EIB IV (ex ITL)	3.00%	2004	-	-	-	-	4 262 911	-	1.331	5 671 803	5 671 803
EIB IV (ex FFr)	3.00%	2004	-	-	-	-	3 040 892	-	1.331	4 045 907	4 045 907
EIB II (ex DEM)	3.00%	2002	-	-	-	-	-	-	1.331	-	-
DEN DANSKE (ex DKK)	0.00%	2003	-	-	-	-	-	-	1.331	-	-
EIB RISK CAPITAL	0.00%	2002	-	-	-	-	-	-	1.331	-	-
EIB TRAINING/SPECIAL FUNDS	0.00%	2002	-	-	-	-	-	-	1.331	-	-
US$											
COMMON FUND COMMODITIES -CFC	3.00%	2017	1 200 000	-	-	1 200 000	-	-	1.000	-	1 200 000
EIB IV	2.61%	2004	-	-	-	-	5 226 458	-	1.000	5 226 458	5 226 458
FINN FUND II	3.00%	2004	-	-	-	-	4 470 006	-	1.000	4 470 007	4 470 007
Total shareholders' loans										35 246 555	36 446 555

80% of the loans were guaranteed by the Government of Zimbabwe.

Exchange rate was rounded off to the nearest 3 decimal places

21 LOCAL LINES OF CREDIT

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the drawdown occurs. To the extent there is no evidence that is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

	2011 US$	2010 US$	2009 US$
Local lines of credit	10 821 136	83 136 571	-
Current	10 821 136	83 136 571	-

Lines of credit are recognised initially at fair value, net of transaction costs incurred. Lines of credit are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the statement of comprehensive income over the period of the borrowings using the effective interest method.

22 OTHER LIABILITIES

	CONSOLIDATED			BANK		
	2011 US$	2010 US$	2009 US$	2011 US$	2010 US$	2009 US$
Accruals	668 976	268 767	280 011	668 976	268 767	280 011
Provision for outstanding leave (note 22.1).	349 196	226 526	178 564	349 196	226 526	178 864
Other	2 106 990	1 737 846	642 503	1 585 420	1 155 900	49 000
	3 125 162	2 233 139	1 101 078	2 603 592	1 651 193	507 875
Current	3 125 162	2 233 139	1 101 078	2 603 592	1 651 193	507 875

22.1 Provision for outstanding employee leave Employee entitlements to annual leave are recognised when they accrue to employees. The provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the balance sheet date and thecharge is recognised in the statement of comprehensive income Within "employee benefit costs" (note 29).

	CONSOLIDATED			BANK		
	2011 US$	2010 US$	2009 US$	2011 US$	2010 US$	2009 US$
Balance at 1 January	226 526	178 564	-	226 526	178 564	-
Additional provisions	122 670	47 962	178 564	122 670	47 962	178 564
Utilised during the year	-	-	-	-	-	-
Balance as at 31 December	349 196	226 526	178 564	349 196	226 526	178 564

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		2011	2010
23	**NET INTEREST INCOME**	**US$**	**US$**
23.1	**Interest income:**		
	Loans and advances to customers	14 886 407	10 900 132
23.2	**Interest expense:**		
	Deposits due to customers	(2 885 744)	(4 100 397)
	Foreign lines of credit	(2 066 265)	(1 403 402)
		(4 952 009)	(5 503 799)
24	**LOAN IMPAIRMENT CHARGES**		
	Loans and advances to customers (note 9 to the consolidated financial statements)		
	Increase in impairment	(5 745 473)	(2 923 521)
25	**FEE AND COMMISSION INCOME**		
	Advisory and management fees	2 616 219	996 708
	Other	258 023	457 344
		2 874 242	1 454 052
26	**NET GAINS / (LOSS) ON FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS**		
	Listed equity securities	(4 023)	3 575

		2011	2010
27	**OTHER OPERATING INCOME**	**US$**	**US$**
	Rental income	258 955	209 298
	Bad debts recovered	-	1 432 062
	Other operating income	175 297	254 573
		434 253	1 895 933
28	**NET GAIN ON FAIR VALUE OF INVESTMENT PROPERTY**		
	Net fair value gain on investment property	1 016 750	1 693 236
29	**NET FOREIGN EXCHANGE GAINS**		
	Net gains from dealing in foreign currency	760 169	-
	Net gains/(losses) from translation of foreign currency balances	711 955	1 410 406
		1 472 124	1 410 406

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30 OPERATING EXPENSES

	2011 US$	2010 US$
Repairs and maintenance	244 437	366 680
Employee benefit costs (note 30.1)	6 056 912	3 119 474
Telecommunication and postage	76 907	141 152
IT and software costs	90 749	38 968
Directors remuneration:		
- for services as directors	202 992	89 440
Operating lease payments	150 159	76 758
Water, electricity and rates	100 573	72 056
Professional fees	128 851	36 040
Audit fees:		
- current year	-	-
- prior year	139 919	90 796
Depreciation and amortisation	354 509	340 431
Fuel and lubricants	67 293	58 645
Travel and entertainment	157 441	100 900
Marketing and public relations	54 844	35 937
Insurance and security	90 354	22 473
Subscriptions	56 512	36 467
Printing and stationery	75 722	44 526
Bank charges	63 028	33 256
Other administrative costs	459 275	269 703
	8 570 479	4 973 702

30.1 Employee benefit costs

	2011 US$	2010 US$
Salaries and bonus	4 366 096	2 603 326
Pension costs	378 211	267 138
Post employment medical benefits	204 001	85 531
Leave pay provision	188 045	42 583
Other	920 559	120 896
	6 056 912	3 119 474

Post employment benefits

Pension Fund

The Group operates a defined contribution plan for all permanent employees. A defined contributon plan is a pension plan under which the Group pays fixed contributions into a seperate entity. The Group has no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. Contributions are paid to a separately administered fund on a mandatory basis. Contributions to this fund are charged against income when incurred. The Group has no further obligations once the contributions have been paid.

	2011	2010
Contributions made during the year	378 211	267 138

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National Social Security Authority Scheme

The Group and all its employees contribute to the National Social Security Authority Scheme, which was promulgated under the National Social Security Act (Chapter 17:04). The Group's obligations under the scheme are limited to specific contributions legislated from time to time.

	2011	2010
	US$	US$
Contributions for the year	43 852	48 495

31 EARNINGS PER SHARE

Basic and diluted earning per share

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Bank by the number of ordinary shares in issue during the year. No dillutive instruments were held during the year. (2010 - US$nil)

The calculation of basic earnings per share at 31 December was based on the following:

Profit attributable to equity holders	1 214 691	3 955 934
Number of issued ordinary shares	2 331 114	2 153 760
Basic earnings per share (cents)	52.1	183.7

Dividends per share

The dividend paid in 2011 was US$0.23 per share and totalling US$500,000 which was declared and approved at the last annual general meeting held on 7 June 2011.

32 CONTINGENCIES

a) **Contingent assets**

The Group has 20% shareholding in both Shungu Engineering (Private) Limited and Bestafoam (Private) Limited and there are shareholder issues in these entities, hence the Group is not able to have access to financial records and operations on the respectivecompanies. The directors are of the opinion that the results of recent and continuing negotiations with co-shareholders have given strong indications that access to financialr e c o r d s a n d operations is probable in full in the near future.

b) **Loan commitments, guarantees and other financial facilities At 31 December 2011, the Group had contractual amounts for off-balance** sheet financial instruments that commit it to extend guarantees and loans as follows:

Loan commitments	19 853 248	71 207 804

33 COMMITMENTS

a) Government funds under management

The Government of Zimbabwe has advanced, through the Group, funding procured under the

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Special Drawing Rights window of the International Monetary Fund and fiscal allocations to parastatals and government infrastructure projects. The funds are being managed by the Group for a fee and with no credit risk residual to the Group.

Held on behalf of:		
Government of Zimbabwe	177 201 883	150 310 506
Represented by:		
Amounts awaiting disbursment	10 821 136	83 136 571
Sinking fund	11 441 508	-
Loans and advances to parastatals and government implementing agencies	153 500 239	67 173 935
	175 762 883	150 310 506

e) **Operating lease commitments**

The Group leases premises and lease terms are for five years and are renewable at the end of the lease period. The future aggregate minimum lease payments under non-cancellable leases are as follows:

No later than 1 year	126 385	166 300

The lease rentals are renegotiated annually in January.

34 RELATED PARTIES

Related party transactions are a normal feature of business and are disclosed in terms of IAS 24: Related Party Disclosures. Related party transactions may affect the assessment of operations, risk and opportunity facing the organisation.

Identity of related parties

The Bank has a related party relationship with its major shareholders, associates and key management

The following transactions were carried out with related parties:

A number of banking transactions are entered into with related parties in the normal course of business. For the year ended 31 December 2011, these included:

a) **Sales and purchases of goods and services**

There were no sales and purchases of goods and services with any related parties

b) **Key management compensation**

Key management includes directors (executive and non-executive), members of the Executive Committee, and the Company Secretary. The compensation paid or payable to key management for employee services is shown below:

	2011 US$	2010 US$
Salaries and other short-term employee benefits	1 534 202	699 996
Post-employment benefits	88 099	48 645
Other long-term benefits	-	-
Termination benefits	-	-
Total	1 622 301	748 641

c) Loans and advances to related parties.

	Directors and other key management personnel 2011 US$	Associated Companies 2011 US$	Directors and other key management personnel 2010 US$	Associated Companies 2010 US$
Loans outstanding at 31 December	104 906	-	85 911	-
Interest income earned	-	-	3 646	-

No allowance for impairment was required in 2011 (2010: US$ nil) for the loans made to key management personnel and associates

The loans issued to directors and other key management personnel are unsecured, carry fixed interest rates and are payable on maturity.

d) Deposits from related parties

	Directors and other key management personnel 2011 US$	Associated Companies 2011 US$	Directors and other key management personnel 2010 US$	Associated Companies 2010 US$
Deposits at 31 December	14 034	-	-	-
Interest expense on deposits	-	-	-	-

The above deposits are unsecured, carry fixed interest rates and repayable On maturity date.

e) Director's shareholdings

As at 31 December 2011, the directors did not hold directly and indirectly any shareholding in the Bank.

35 EVENTS AFTER THE REPORTING DATE

The Board of Directors approved a dividend of US$0.21 per share for every share in issue as at 31 December 2011. The declaration was made on 19 October 2012.

Notice is hereby given that the 27th Annual General Meeting of Members of the Infrastructure Development Bank of Zimbabwe (IDBZ) will be held in the Boardroom, IDBZ House, 99 Rotten Row, Harare, Zimbabwe on Tuesday, 23 October 2012 at 11:00 hours to transact the following business:

ORDINARY BUSINESS

1. To receive, consider and adopt the Annual Financial Statements and Reports of the Directors and Auditors for the year ended 31 December 2011;

2. To approve the payment of a dividend for the financial year ended 31 December 2011;

3. To approve the remuneration of the Auditors for the year ended 31 December 2011, and to re-appoint Messrs PricewaterhouseCoopers, Chartered Accountants, Zimbabwe as external auditors of the Bank until the conclusion of the next Annual General Meeting;

4. To approve the remuneration of the Directors for the year ended 31 December 2011.

SPECIAL BUSINESS

5. **ORDINARY RESOLUTION**
   That the authority given to the Directors of the Bank to issue ordinary shares in the capital of the Infrastructure Development Bank of Zimbabwe (IDBZ) to institutional investors up to a maximum of 49% of the issued share capital through private placement, be and is hereby extended by twelve months from date of the Annual General Meeting. Upon its expiration and it being considered necessary to extend it, this authority shall be subject to further renewal by Shareholders at the Bank's next Annual General Meeting.

A member entitled to attend and vote at the meeting may appoint a proxy to attend, speak and vote in his stead. A proxy need not be a Member of the Bank. Proxy forms must be lodged at the Registered Office of the Bank not less than 48 hours before the time appointed for the meeting.

By Order of the Board

K Kanguru
Bank Secretary

7th September 2012

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