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Gill, Godlonton & Gerrans
Cheda & Partners - Bulawayo

BANKERS
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FBC Bank Limited

BANK SECRETARY
Mr Kennias Kanguru
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Harare, Zimbabwe
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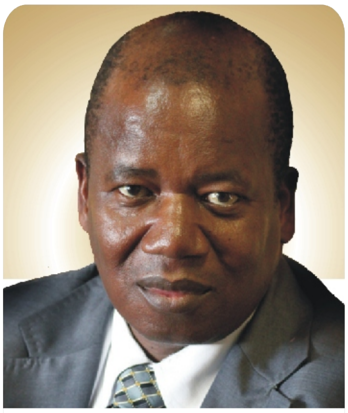
Shareholder	Shares Held	%age
Government of Zimbabwe	2,018,605	86.59397%
Reserve Bank of Zimbabwe	304,408	13.05848%
ZIMRE Holdings Limited	8,001	0.34323%
Staff Share Trust	78	0.00337%
Fidelity Life Assurance Company of Zimbabwe Limited	6	0.00026%
Finnish Fund for Industrial Cooperation	5	0.00023%
African 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%

Mr. Willard Lowenstern Manungo
Chairman

Mr. Charles Chikaura*
Chief Executive Officer

Eng. Vavarirai Humwe Choga



Eng. Nelson Kudenga

Col. (Rtd.) Joseph Mhakayakora

Dr. Shadreck Sariri Mlambo

Mrs. Margaret Sangarwe

Mr. Charles Simbarashe Tawha

*Executive Director

Audit Committee
Vavarirai Humwe Choga-Chairman
Norbert H C Chiromo
Joseph Mhakayakora
Shadreck Sariri Mlambo

Corporate Governance Committee
Nelson Kudenga - Chairman
Vavarirai Humwe Choga
Shadreck Sariri Mlambo
Margaret Sangarwe
Charles Simbarashe Tawha

Human Resources Committee
Joseph Mhakayakora-Chairman
Charles Chikaura
Nelson Kudenga
Emmanuel Jinda
Magaret Sangarwe

Investment Committee
Willard Lowenstern Manungo-Chairman
Charles Chikaura
Vavarirai Humwe Choga
Nelson Kudenga
Joseph Mhakayakora
Shadreck Sariri Mlambo
Margaret Sangarwe
Charles Simbabrashe Tawha

Risk Management Committee
Joseph Mhakayakora-Chairman
Charles Chikaura
Margaret Sangarwe
Charles Simbarashe Tawha

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 & Human Resources

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-driven 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's 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 develop institutional capacity in business undertakings and enterprises of all kinds in Zimbabwe through enhanced capacity-building and utilization; and

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

I am pleased to report that the Bank has once again managed to post a commendable set of financial results for the 2012 financial year and, in the process, consolidating on the gains that began with the introduction of the multi-currency system in 2009 despite the challenges facing the economy at both the micro and macro levels

The Bank continues to show uncharacteristic resilience in the face of unremitting liquidity challenges facing the economy and external factors militating against the institution's ability to mobilise resources for the much needed infrastructure development.

The Bank broke new grounds by successfully launching the first Infrastructure Bond in the domestic money and capital market, post dollarisation. This followed Government's issuance to the Bank of the mandate to employ the bond instrument to mobilise medium to long term funding for key infrastructure projects.

The Bank was able in 2012 to raise US$17.8 million through its first Infrastructure Bond issue. This financing instrument is expected to play a pivotal role in harnessing domestic savings, and re-directing them towards the growth engines of the economy.

Economic Environment

Growth

After recording strong double-digit real growth of 10.6% in 2011, the economy continued on the growth path into 2012, posting its fourth consecutive year of positive economic growth since the adoption of the multicurrency framework in 2009.

At an estimated 4.4%, real economic growth in 2012 was, however, much lower than the 9.4% growth rate projected at the time of the announcement of the 2012 Budget in November 2011, largely reflecting lower-than-expected performance in agriculture and mining.

Looking ahead, the economy is projected to continue expanding, though at a moderate pace of 5% in 2013. This would be marginally below the projected average 5.5% growth rate for the whole of Sub-Saharan Africa.

The slowdown in economic growth in 2012 was as a result of poor rainy season, and an unfavourable global financial environment, among other endogenous and exogenous factors. Key economic sectors such as agriculture, mining, manufacturing and tourism posted lower growth rates in 2012 as a result of the challenging economic environment.

Prices

Turning to inflation, prices remained low and stable during the course of 2012, with year-on-year inflation closing the year at 2.9% in December 2012, down from 4.9% in December 2011. This compares favourably with the 2012 7.9% average end-period rate for Sub-Saharan Africa.

Factors which contributed to the stability of prices in 2012 included improvements in the supply of goods and services, tight liquidity conditions, intense market competition and the weakening of the South African rand vis-à-vis the United States dollar.

The outlook for price stability remains positive, with expectations of annual inflation remaining below 5% in 2013. This is against the background of stable international oil prices and anticipated improvements in domestic capacity utilisation, among other factors.

Financial Sector

The banking sector continued to grow in 2012 as reflected by the 25.4% increase in total banking sector deposits, adjusted for inter-bank deposits, from US$3.1 billion in 2011 to US$3.9 billion by 2012 year end.

The maturity structure of bank deposits has, however, remained predominantly short-term, with such deposits accounting for 82% of total deposits in 2012.

Loans and advances to the private sector grew by 29.2% to US$3.56 billion in 2012, in response to increased growth in banking sector deposits. The bulk of the loans and advances went to Agriculture, 21.05%; Distribution, 20.31%; Manufacturing, 19.61%; and Households, 13.71%.

Mirroring the short term nature of bank deposits, short term loans for the financing of working capital requirements accounted for 94.8% of loans and advances.

Banks' lending interest rates remained high during 2012, with annual rates ranging between 8-35%, further exacerbating companies' financial distress.

An inactive inter-bank market, coupled with a more robust Central Bank lender of last resort capacity, would have under-pinned even stronger banking sector performance in 2012.

Performance on the Zimbabwe Stock Exchange was mixed, with the industrial index posting a 10% gain to 152.4, points while the mining index shed 79.8 points to close the year 18.4% lower at 65.12 points. Market capitalisation rose by 11.5% to US$3.89 billion on the back of the growth in the industrial index.

External Trade

The country's trade deficit remains of major concern, with a deficit of US$3.6 billion recorded during 2012 as exports amounted to US$3.88 billion against imports of US$7.48 billion. Hence, the need to further grow and diversify the economy's export base towards more value addition domestic manufacturing cannot be over emphasised.

Support for Infrastructure

Investment in infrastructure remains a critical component towards addressing some of the inefficiencies inherent in the domestic production value chain, necessary for enhancing the country's overall industrial competitiveness and the realisation of sustained further rapid recovery of the economy.

In this regard, the Bank remains live to its supportive role in dealing with some of the threats to investment in public infrastructure, including challenges related to absence of meaningful long term funding.

The Bank is, therefore, working on innovative funding structures for infrastructure projects in the country in partnership with regional development finance institutions.

Locally, the Bank is building on the lessons learnt from the successful launch of its maiden Infrastructure Bond issue to structure more financing instruments in pursuit of its resource mobilisation mandate.

Through its advisory and monitoring role, the Bank continues to deliver cost effective solutions to infrastructure rehabilitation programmes being undertaken by Government.

In this regard, and within the constraints of limited funding, significant progress was recorded on Government funded infrastructure related projects the Bank was involved in during the course of 2012.

Other Developmental Activities

In pursuit of its developmental mandate, the Bank continued to support the private sector with working capital requirements.

The Bank has developed innovative financing structures to support new farmers and other institutional entities involved in agriculture.

With regards to support for youth empowerment, the Bank continues to manage the Youth Development Fund, which is funded by Government. The Fund provides loans to small scale youth projects with potential to create employment.

The relative success of the Fund has seen some private sector players come on board and contributing towards complementing the Fund's limited resources.

In this regard, I would like to commend Meikles Ltd for partnering with the Ministry responsible for the Youth by providing a significant amount of seed money to capitalise the Youth Development Fund, specifically targeting support towards horticulture ventures.

Financial Performance

The Bank's financial performance for the year under review was commendable. The institution recorded total comprehensive income of US$3.5 million which was ahead of budget and significantly higher than the prior year figure of $1.2 million.

The good performance was achieved despite the declining interest margins, reduced loan book and the tighter liquidity situation that prevailed during the year.

Cost containment and judicious management of the loan book were also key in that regard.

The Bank, however, continued to be hamstrung by the adverse effects of the non-performing legacy foreign debt.

Dividend

The Bank 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

An adequate capitalisation level is key to unlocking funding that will enable the Bank to carry out its mandate of mobilising resources in support of infrastructure and other development challenges.

In this regard, the Bank's capitalisation remains a key strategic issue for the Board and Management.

However, the Bank is alive to financial constraints Government faces due to limited fiscal space.

The high gearing, as a result of the US$38 million legacy foreign debt, has been a major challenge for the Bank in as far as resource mobilisation is concerned.

Government is aware that the Bank will not be able to realise its full potential until the issue of the legacy foreign debt is resolved.

In this regard, the Bank is working with Government, the major shareholder, to restructure the debt by hiving it,off together with matching assets, into a stand-alone Special Purpose Vehicle.

It is my sincere hope that once freed from this debt, immense opportunities will open up for the Bank in both the domestic and foreign capital markets.

The Bank will continue to court regional and international development finance institutions to take up equity in the Bank in order to broaden the shareholder base. This should also enhance sources of funding, thereby enhancing the Bank's capacity to raise debt capital to fund the relatively large pipeline of infrastructure projects.

In this regard, the Board welcomes the recent decision by the US Treasury to ease restrictions on the Bank, a development that will allow the institution to do business without undue hindrance.

Strategic Alliances

The Bank continues to derive immense benefits from its membership to the SADC Development Finance Institutions network.

Several senior Bank employees were beneficiaries of capacity building training programmes offered by the network.

The proposed acquisition of Government's 4,5% shareholding in Norsad Finance Limited by the Bank valued at $3.3 million will place the institution in a strategic position owing to Norsad's shareholding dirversity and investment strategy which is focused on the SADC region.

The Bank is already in discussion with Norsad Finance Ltd with a view to accessing a credit line.

Furthermore, the Bank was able to conclude a number of noteworthy strategic alliances with other development finance institutions (DFIs) in the region, as well as with other private sector institutions specialising in development finance and advisory service.

The Bank was chosen by the Japan International Cooperation Agency ("JICA") as its preferred development partner in Zimbabwe, and engagements towards the signing of a Memorandum of Understanding ("MOU") are in progress.

The Bank hopes to benefit from JICA's renowned expertise in developmental issues across the globe.

The Bank will seek to leverage on all its business and financial relationships as it seeks to raise both debt and equity capital to finance infrastructure and other developmental projects.

Corporate Governance

The Bank subscribes to the principles of sound corporate governance and ethical standards in the conduct of the institution's affairs.

Hence, 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 III Report on corporate governance as well as Government of Zimbabwe's corporate governance principles for state enterprises and parastatals (SEPs).

In this regard, the Board 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 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 Bank is in the process of embracing Integrated Reporting as a business imperative.

This principle recognises that in pursuing business to attain financial sustainability, the Bank has an obligation to ensure that its business strategies do not harm the environment and are supportive of Communities rights to benefit from developments taking place within their space.

Outlook

Whilst continuing to support economic recovery across all sectors of the economy, the Bank will increase its focus and resource allocation towards the key mandate of infrastructure development by leveraging on its key competencies in advisory service and project management.

Through Public Private Partnerships, the Bank will also seek to provide innovative solutions to public needs in housing, sanitation and transport.

Support for the resurgent agriculture sector will also increase, commensurate with the sector's projected contribution to GDP.

In undertaking its assigned roles in the various projects and programmes, the Bank will be guided by the principle of financial sustainability and maximisation of economic and social impacts.

The Bank expects to record a modest profit for the year 2013, in line with its strategy of growing shareholder value.

The Bank recognises that its key resource is the variety of skilled personnel at its disposal, and will continue to provide an appropriate work environment and compensation structure to ensure retention and constant renewal of this key resource.

Appreciation

I wish to commend Management and Staff for the good financial performance.

I also wish to place on record my appreciation to our valued customers, suppliers and other stakeholders who have made the Bank their preferred business partner.

Together we can achieve more for our Stakeholders and the Communities in which we operate in. I am positive that our mutually beneficial relationships will continue to grow from strength to strength.

I would also like to thank my colleagues on the Board for their wise counsel and judicious stewardship of the Bank's affairs.

They have been a source of inspiration and strength.

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 continued support in the face of economic challenges exacerbated by the global financial crisis.

W L Manungo
Chairman

Introduction

The Bank's financial results for the year ended 31 December 2012 were once again commendable even as the difficult operating environment continued to constrain and stifle the capacity of the IDBZ to realize its true potential. However, the performance was weighed down by the non performing US$37.5 million legacy foreign debt in terms of interest and penalty charges. On a positive note the Bank benefitted from a stronger United States Dollar since the legacy debt is largely denominated in the EURO. The Bank though will continue to be exposed to the interest rate and exchange rate risk arising from the legacy foreign debt making it imperative that the processes currently under way to hive off the foreign debt from the IDBZ books are expedited and concluded in the current year 2013.

Economic Overview

The Zimbabwean economy continued on the growth path in 2012 and posted its fourth consecutive year of positive economic growth since the adoption of the multicurrency framework in 2009. At an estimated 4.4%, real economic growth in 2012 was, however, much lower than initial projections of a growth rate of 9.4% and largely reflected lower-than-expected performance in agriculture and mining.

The agricultural sector, which was initially projected to grow by 11.6% in 2012, was downgraded to 4.6% to reflect significant output declines in maize, groundnuts, wheat, sorghum and soya-beans, largely owing to late onset of the rains coupled with long dry spells at the end of December 2011 and mid-February 2012. On a positive note, tobacco output, at 144.5million kilogrammes in 2012, exceeded the initial projection of 130 million kilograms while cotton production amounted to 350 000 tonnes, well above the initial projection of 130 000 tonnes.

In the mining sector, which hitherto has been the most dynamic sector of the Zimbabwean economy on the back of strong external demand, mineral production was below target in 2012, due to softening international mineral prices. Consequently, the volume of mining output declined for most key minerals, with the exception of gold. The mining sector is estimated to have declined from 43.2% in 2011 to 10.1% in 2012. An anticipated recovery in mineral prices coupled with on-going investments in the mining sector is expected to boost growth in the sector to 17.1% in 2013.

The manufacturing sector continued to battle against the headwinds of obsolete machinery, power outages, low investment, high input costs, the unavailability and high cost of finance, competition from imports and a general lack of business confidence. Against this backdrop, capacity utilisation in the sector stood at about 50% in 2012, with growth falling from 13.9% in 2011 to a subdued 2.3% in 2012. In 2013, a projected increase in lines of credit, implementation of the Industrial Development Plan and an anticipated upturn in the agricultural sector is expected to see the manufacturing sector rising by up to 3%.

The slowdown in economic activity in 2012 was also reflected in the tourism sector, with growth slackening to 3.9% in 2012 compared to 4.3% in 2011. The tourism sector is projected to grow by 4% in 2013, with the co-hosting of the United Nations World Tourism Organisation (UNWTO) General Assembly in August 2013 expected to give the tourism sector a welcome boost.

Prices remained low and stable during the course of 2012 which resulted in the year-on-year inflation closing the year at 2.9% in December 2012, down from 4.9% in December 2011. This compares favourably with an average end-of-period inflation rate of 7.9% for Sub-Saharan Africa in 2012. Factors which contributed to the stability of prices in 2012 included improvements in the supply of goods and services, tight liquidity conditions, intense market competition and the weakening of the South African Rand vis-à-vis the United States Dollar. The outlook for inflation remains positive, with annual inflation expected to remain below 5% in 2013 on the back of stable international oil prices and improved domestic capacity utilization, among other factors.

The banking sector continued to grow in 2012 as reflected by a 25.4% increase in total banking sector deposits (adjusted for inter-bank deposits) from US$3.1 billion in 2011 to US$3.9 billion in 2012. The maturity structure of bank deposits has however remained unchanged, with short-term deposits accounting for 82% of the total deposits.

On the budgetary front, the sub-par performance of the economy during the course of 2012 led to a downward revision of the 2012 budget from the original US$4 billion to US$3.640 billion in the Mid-Year Fiscal Policy Review announced in July 2012. The actual outturn of the budget was however below the revised estimates mainly due to underperformance in non-tax revenue, particularly diamond revenue. Cumulative revenue collections in 2012 amounted to US$3.495 billion, about 4% below the revised target of US$3.640, while expenditures amounted to US$3.568 billion, resulting in a budget deficit of US$72.5 million.

$30 Million Infrastructure Bond

In a press statement on 25 January 2012, the Honorable Minister of Finance announced that Government had approved the issuance of Infrastructure Development Bonds or the "Bonds" by the Infrastructure Development Bank of Zimbabwe. An amount of $50 million was authorized to be issued in 2012.

Pursuant to the above objective, the Bank launched its maiden bond issue and the first significant debt instrument backed by the Government of Zimbabwe since dollarization. The offer was open for one month, a period which Management learnt was not enough for institutional investors to unwind their positions in the illiquid property and stock market. A month was also not sufficient for investors who needed time to analyze, recommend and take their investment proposal through various approval processes. In addition, most decision makers were winding up or had had an early break for the festive season. The results of the issue were as follows:

Details	
Amount on offer-us$	30,000,000
Number of applications received	54
Value of applications received-us$	17,824,000
Value of bonds allotted-us$	17,824,000
Value of bonds remaining not allotted-us$	12,176,000
Success rate	59.41%

The entire $17.8 million came from institutional investors mainly pension funds and fund management companies.

Reflecting the relative attractiveness of the instrument, the balance of $12.2 million which remained unsubscribed when the issue closed has since been taken up through private placement arrangement.

Riding on the relative success of the bond as a financing instrument, Government has further mandated the IDBZ to raise upwards of $120 million in infrastructure bonds in the year 2013. The bonds will be backed by key infrastructure projects in the energy, housing and information communications technology sectors.

Other Resource Mobilization Initiatives

Pursuant to its mandate of mobilizing resources for investment in the key economic sectors of the economy, the Bank opened negotiations with a number of regional and international development finance institutions for lines of credit and/or off-balance sheet co-financing arrangements of projects in both the public and private sectors. These negotiations which are expected to be concluded in the current year, will provide the IDBZ with the much needed financial wherewithal to underwrite significant levels of business in the key sectors of the economy.

The Bank concluded and signed a US$30 million line of credit agreement with China Development Bank ("CDB") in November 2011. Following the removal of the Bank from the OFAC sanctions list draw down on the facility is now expected in the current year 2013.

The Zimbabwe Economic Trade and Revival Fund ("ZETRF") facility, from which the Bank was allocated $10 million, could not be fully utilized in 2012. An amount of US$3 million has since been utilized and the balance is expected to be fully drawn down in the current year. The IDBZ expects to also benefit from the second round of the ZETRF facility when it is launched.

The Bank currently warehouses Government 4.5% shareholding in Norsad Finance Limited, a Botswana based financial institution. The Bank is negotiating with the Ministry of Finance to aquire these shares through a debt to equity conversion involving an amount owed to IDBZ by Government. This investment is expected to provide the Bank with additional funding options.

Operations Review

The Bank committed significant resources in supporting corporate entities with working capital for short periods consistent with the short term nature of the available funding. The Bank also increased support to agriculture, an economically strategic sector that is expected to contribute significantly to economic growth. In the absence of long term funding, the Group's activities in infrastructure related projects largely focused on project management and advisory services.

Private Sector Projects

The Private Sector Projects Division is at the centre of the Bank's short and medium term business and caters for 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

There was a significant improvement in the liquidity situation in 2012 compared to the previous year. As a result the Bank witnessed an increase in the uptake of facilities. The Bank, however, tightened lending requirements as a strategy to reduce potential defaults.

During the period under review, approved loan facilities stood at US$84 million whilst utilization averaged US$36 million. The demand for capital expenditure and working capital facilities was overwhelming as companies sought funding to revamp their business operations and increase capacity utilization. However, the major challenge in availing facilities was the high cost of funds which ranged between 15% and 18% per annum.

The bulk of the loans issued were adequately secured in line with the Bank's lending policies.

ii. **International Banking**

The unit has seen an expansion in the Bank's foreign currency based product range and services, especially following the acquisition of full authorized dealership license by the institution.

Through the unit's pivotal role in local and global financial settlements, the Bank continued to play a facilitative role on Government's efforts to influence and capacitate social transformation, infrastructure development and industrial capacity utilization. As the financial services sector consolidates the gains of the multi currency regime, the market has witnessed the slow but firm return of trade finance business. The use of trade finance products and solutions like letters of credit has greatly increased the impetus of the Bank's resource mobilization drive.

iii. **Agri-business**

Agriculture continues to lead the economic recovery and growth trajectory in the country, and has transformed lives of millions of small scale farmers who were beneficiaries of the epochal land reform programme. The Bank established the Agribusiness Unit in 2011 in response to the huge demand for short term and medium term loan facilities from farmers. The main objective of the Unit was to develop agriculture finance facilities that assist farmers in rehabilitating existing farm infrastructure as well as re-equiping farmers.

As at the end of the reporting period, the agribusiness portfolio comprised 80% commercial maize production with the balance being horticulture and poultry projects. Although there is an increased need for working capital and capital expenditure finance in the agriculture sector, the Bank will continue to be selective to ensure only good quality assets are created in the portfolio.

Treasury operations

The Treasury Unit performs the critical functions of mobilizing short term funding, trading, liquidity management, asset and liabilities management and financial risk management.

During the period under review significant growth was recorded on customer deposits which grew by 22% on year on year basis from $46.7 million in 2011 to $57.1 million in 2012.

Through the Treasury Unit the Bank ensured there was sufficient liquidity to meet all maturing money market obligations whilst making liquidity available to meet scheduled infrastructure projects disbursements.

The Bank maintained a liquidity buffer as short interbank placements in the market to cater for daily unplanned liquidity shocks. Treasury undertook frequent portfolio liquidity reviews and also monitored daily liquidity. In line with the requirements of the IDBZ Liquidity Contingency Plan, the institution undertook regular portfolio liquidity reviews. Due to this proactive approach, there was no time during the year when the Liquidity Contingency Plan was activated.

Credit risk was managed through limiting interbank placements to approved counterparties, while the interest rate risk was contained through asset and liability matching. No foreign exchange positions were taken during the year thereby avoiding foreign exchange exposures.

Special programmes

In line with its development mandate, the Bank 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 Bank continued to manage the Youth Development Fund which was set up by Government to champion youth development and empowerment programmes.

The relative success of the Youth Development Fund as a significant intervention in creating employment and in the process alleviating poverty has seen some private sector players coming on board and partnering the Youth Development Fund. In this regards, the Bank commends Meikles Limited for capitalizing the fund to the tune of US$200,000. A total of US$100,000 of the funds had been disbursed by the end of the year 2012.

The table below shows what a well run community based programme can do in terms of social and economic development impacts.

Programme	Number of projects	Value us$	Jobs created
YDF General Fund	115	117,100	264
YDF ISOP	44	77,500	220
Meikles	23	100,000	225
TOTAL	182	294,600	709

Infrastructure projects

Whilst the absence of long term funds in the market and limited access to offshore lines of credit have militated against the Bank's full realization of its mandate, the long range strategic objective of the IDBZ remains the up-scaling of intervention in the infrastructure development space to the extent that in five years, 80% of income will be derived from infrastructure related projects and infrastructure advisory service. This strategic shift will see the re-alignment of efforts and resource allocation towards the key mandate of the Bank, namely, to champion infrastructure development and financing in support of economic growth and social transformation.

As a way of assisting the Bank in its recapitalization efforts, Government authorised the IDBZ to issue Infrastructure Development Bonds to the tune of $50 million.

Advisory Services on Projects in the pipeline

Activities in advisory services continued at a high level in the period under review. The Bank extended advisory services on projects in key sectors of energy, transport, ICT, housing and municipal.

i) **ZETDC Prepaid Metering Project**

The highlight of the year was the successful appraisal of the Zimbabwe Electricity Transmission and Distribution Company (ZETDC) prepaid metering project valued at $60 million, for which the Bank issued its US$30 million maiden Infrastructure Development Bond. When the issue closed, an amount of US$17.8 million was raised from the domestic capital market and on-lent to ZETDC to implement the project. The balance of US$12.2 million has since been raised through private placements. The bond issue had a positive effect of reviving the development of the otherwise dormant capital market and set the launch pad for future bond issues. The bonds are structured to suit the funding requirements and repayment profiles of underlying infrastructure project loans.

ii) **Harare Beitbridge and Harare Chirundu Road Upgrade Projects**

The Bank, in its capacity as a member of the Project Steering Committee, was actively involved in project preparatory work for the Harare Beitbridge Road Upgrade Projects, which culminated in the undertaking of a Feasibility Study for the project. The project's estimated cost is expected to range between US$549 million and US$1.2 billion, depending on the preferred option. A Government decision is also expected on the way forward regarding the upgrade of the Harare Chirundu Road, the cost of which is estimated at between US$451 million and US$889 million. In respect of both projects, the Bank expects to play a significant role in offering advisory services to Government in mobilising the required funding.

iii) **Kariba South Power Station Extension Project**

This project entails the construction of two additional power generation units of 150 MW each, thus increasing the total generation capacity to 1050 MW. The Bank, having secured a fund raising mandate from the Zimbabwe Power Company (ZPC), commenced project development work in the fourth quarter of 2012. The power generation extension project is expected to cost in excess of US$500 million. The Bank has also submitted an expression of interest in raising ZPC's own contribution to the project which is estimated at US$54 million.

iv) **Harare Power Station Repowering Project**

The Bank also expressed interest in raising capital for the Harare Power Station Repowering Project at an estimated cost of US$55 million. Project development work commenced in the fourth quarter of 2012. A formal mandate has since been given to the Bank.

v) **Tel*One IMS Project**

The Bank entered into negotiations with Tel*One with a view to securing a mandate to mobilise funding for the utility's Internet Protocol Multimedia Sub-system (IMS) and the Bulawayo Victoria Falls and Bulawayo Beitbridge Fibre Optic projects. The estimated cost of the two projects stands at US$82 million.

vi) **UNWTO Victoria Falls Project**

The Bank was awarded a financial advisory mandate in respect of the Victoria Falls Convention Centre project. The project entails the development of hotel and other ancillary facilities in preparation for the United Nations World Tourism Organization ("UNWTO") General Assembly which is scheduled for the resort town of Victoria Falls and will be co-hosted by Zimbabwe and Zambia in August 2013.

Government projects under IDBZ management

As of 31 December 2012, the Bank had a mandate from Government to manage Public Sector Investment Programme ("PSIP") projects worth $241 million. The initial allocation of US$80.5 million was sourced from Government's International Monetary Fund Special Drawing Rights ("SDR") resources. Actual funds made available to the projects in 2012 amounted to $158.3 million, representing a 19% decline from the previous year's disbursement of US$195.6 million, with the Bank achieving a 100% disbursement rate. It is worth noting that this amount was not adequate to cover all the certificates presented by Implementing Agents for work done. As at 31 December 2012, certificates totaling US$53.8 million had not been settled due to unavailability of funds and reduced fiscal capacity resulting from liquidity challenges bedeviling the economy. Thus, in essence, as at 31 December 2012, some US$78.4 million of the US$80.5 million or 96% of the SDR facility had been disbursed to projects whilst US$185 million or 62% of the additional cumulative budget allocation of US$298 million had been utilised.

On a sectoral basis, the bulk of the disbursements were accounted for by Water and Sanitation with $83.4 million, followed by Transport ($31 million), Institutional Accommodation ($13.1 million), Housing Development ($8.4 million), Energy ($10.8 million) and ICT ($10.1 million).

As at 31 December 2012 the Government of Zimbabwe's infrastructure funds administered through the Bank since 2010 stood at $ 406 million ($426.7 million including parastatals' own contribution) on a cumulative basis. The funds were disbursed to the following projects:

i. **Water and Sanitation projects**

The bulk of the allocation for water and sanitation was disbursed towards the completion of Tokwe-Mukorsi Dam which accounted for $47.7 million. The project is scheduled for completion in 2013. Within the same sector, a total of $9.1 million was disbursed to Mtshabezi Pipeline project during the year under review. The balance amounting to $26.6 million was disbursed to various water related projects undertaken by local authorities across the country.

ii. **Information Communication Technology projects**

An amount of $7.8 million was disbursed to Tel*One for the continuing work on the Bulawayo Beitbridge Optical Fibre project. The project is expected to be completed in 2013.

iii. **Housing projects**

Government continues to channel resources towards the provision of decent housing for all, working in partnerships with the private sector. To this end, a disbursement of $8.4 million was made to national housing projects.

iv. **Energy projects**

The Bank assisted in the on-going rehabilitation of Hwange and Kariba Power Stations by procuring and installing major spares, system upgrades and general maintenance support services. This is an ongoing and continuous programme which is designed to upgrade the power plant to produce at maximum capacity.

v. **Transport projects**

- Work on J.M. Nkomo International Airport continued in the review period, with a total of US$24.2 million having been spent on the project to date. Disbursements in 2012 amounted to US$3.9 million against interim payment certificates of US$4.3 million.
- The Bank was responsible for managing project funds in respect of the Harare Masvingo and Harare Norton Roads and Bridge Construction. The initial allocation for these two projects was US$13.1 million and disbursements to 31 December 2012 amounted to US$14.4 million following a additional allocation of US$2 million by the Ministry of Finance. The Mukuvisi Bridge was completed in 2012 whilst the Manyame Bridge is expected to be completed in the first quarter of 2013.

The importance of project monitoring and evaluation was amply demonstrated in the above projects as the funding provided was able to achieve at least 25% more than was originally intended largely due to improved and prudent control of the procurement process, initial accurate pricing and control of disbursements.

vi. **Municipal and Housing Projects**

- The Bank had expected to disburse an amount of $1.7 million in the period under review for traffic lights upgrade and expansion to the City of Mutare, but due to lengthy delays in securing the Borrowing Power Certificate by the Council, disbursement in now expected in 2013.

- Project development and procurement on Phase 11 of the Graniteside Park Flats project, which consists of nine blocks of flats with a total of 216 units, was completed in 2012. The Bank carried out detailed project appraisals, including financial and viability testing. Subsequent to that, a tender process was conducted through the Project Manager, culminating in the appointment of a Contractor who is now expected to commence construction in the first quarter of 2013.
- The Bank made a decision to resuscitate the stalled Norton Medical Centre Project, which had been abandoned due to hyperinflationary environment. To this end, a tender to undertake a feasibility study was floated and awarded to a professional financial advisory service company. A total of $100 000 has been budgeted for the feasibility study.
- In the same period the Infrastructure Projects Division carried a study to realign a non-performing real estate portfolio and recommended the disposal of Snake Park/Granary stands. The Bank expects to realise about $1.2 million by the end of the first quarter of 2013.

Consolidated Financial Results for the Year Ended 31 December 2012

Consolidated Statement of Comprehensive Income

The Group recorded a net profit of US$3.5 million, an increase of 189% from the prior year. The good performance was mainly attributed to fair value gain on investment property of US$4.3 million of which US$0.6 million was realised following the disposal of some of the properties.

Net interest income decreased by 30% from US$9.9 million recorded in 2011 to US$7.0 million in the year under review. However, net interest income after impairment charge increased by 16% due to a significant decrease in the loan impairment provision as a result of effective management of the credit risk through creation of quality loans. The interest expense increased by 32% due to increase in customer deposits and average cost of funds. Interest expense on the non-performing legacy debt inherited from the former Zimbabwe Development Bank ("ZDB") was US$2.1 million.

Fees and commission income for the year amounted to $2.4 million, a 17% decline from the previous year's US$2.9 million.

Operating expenses were US$9.8 million, an increase of 14% from the previous year. The increase was mainly driven by IT and software costs, insurance, depreciation and amortization costs.

Consolidated Statement of Financial Position

The balance sheet grew by 34% from US$83.5 million in 2011 to US$111.5 million on the back of US$17.8 million raised through the maiden infrastructure bond issue and US$2.3 million in foreign lines of credit. Investment property increased to US$11.1 million.

The Group's equity capital position improved by US$3 million from a negative of US$14.3 million to a negative of US$11.3 million mainly due to the profit recorded for the year. The negative equity position is a reflection of the US$37.5 million legacy foreign debt. A process of hiving-off the debt through a Bill of Parliament has reached an advanced stage. Without the legacy foreign debt the Bank would be adequately capitalized.

Consolidated Statement of Cash Flows

The Group cash balances stood at US$10.9 million (2011: US$23.7 million).

IT Systems

Significant progress was made in the implementation of the new banking system, Rubikon, acquired in 2011 to replace the old Leasepac System which was no longer meeting the Bank's data and information needs. By the end of the year 2012 a completion rate of 90% had been achieved, with the outstanding 10% deemed minor to low risk. A decision was made to defer the implementation of the outstanding Rubikon modules namely, Internet Banking and Trade Finance, in order to allow for the system to stabilise on the core modules and also resolve system bugs that had been detected. The outstanding modules are scheduled for implementation in the first half of 2013.

The Bank was currently upgrading the network security in line with best practice and current trends in data security and business continuity. A functional disaster recovery site that will mark an improvement in the Bank's recovery time objective ["RTO"] of less than one hour will have been set up by the end of the first half 2013.

Human Capital and Capacity Building

The IDBZ is a knowledge based institution; its staff is its most prized asset. Consistent with this philosophy, the Bank continues to pay special attention to, and devoting substantial resources in, upgrading the skills base in the key mandate drivers of infrastructure development and resource mobilization. The Bank has recruited appropriate skills and continues to provide tailor made skills development programmes to key staff who are charged with driving the Bank's mandate of the institution.

In collaboration with the SADC- DFRC and more recently the African Development Institute ("ADI"), the Bank organized training and capacity building programmes in the areas of corporate governance, project finance and financial modeling, risk management, public private partnerships (PPP), and project preparation, monitoring and evaluation. The Bank also took full advantage of an invitation from the Chinese Ministry of Commerce and sent two staff members for a Seminar on Infrastructure Construction for African Countries.

The Bank successfully co-hosted a self funding Corporate Governance workshop with SADC-DFRC. The course was attended by over 30 participants drawn from various organizations involved in Infrastructure Projects development throughout the country.

Recognizing that capacity to develop and implement projects was a major challenge in parastatals and urban and rural authorities, the Bank took on the challenge of developing institutional capacity in these entities and came up with an Institutional Capacity Building Policy. The policy is designed to leverage on the skills and expertise resident in IDBZ to assist clients and business partners involved in infrastructure development. Local Authorities in the Southern Region, namely, Bulawayo City Council, Gweru City Council, Gwanda Town Council and Chiredzi Town Council were the first beneficiaries of this initiative; a course on Appraisal and Packaging of projects was offered to staff drawn from these local authorities.

Industrial Relations and Staff Welfare

The Bank is committed to the maintenance of harmonious industrial relations across the entirety of its workforce. In keeping with that ethos, the IDBZ has developed a number of staff focused welfare schemes that recognize the value the Bank places on its human capital.

During the year under review, two employee-centric initiatives were implemented. The car loan scheme was extended to senior management at the head of department level. The loans are availed at concessionary rates and are repayable over a period of ten years. More significantly, eligible employees were availed with residential stands and a loan to assist them to meet the building costs.

Outlook

Management and Staff are gratified that the Bank is now able to undertake international banking business without hindrance following the removal of the IDBZ from the United States of America OFAC (sanctions) list. The IDBZ looks ahead with hope and optimism that with the playing field now even, the challenging business environment notwithstanding, prospects for the future can only be bright; the Bank will seize any available opportunity to grow shareholder value, whilst remaining true to the mandate of the institution.

C Chikaura
Chief Executive Officer

The 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, a key enabler in the economic and social development of Zimbabwe. The Bank is regulated by the Minister of Finance.

Governance Framework

Notwithstanding the fact that the IDBZ is not licensed or governed in terms of the Banking Act, the Bank has consistently observed 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 I Report on Corporate Governance. In this regard, the IDBZ has put in place governance structures, policies and procedures that are appropriate for its operations, including key board committees as recommended by the King I I I Report.

The Group is committed to fully comply with the corporate governance and performance monitoring framework introduced in 2010 by the government for State Enterprises and Parastatals ("SEPs"). In this regard, the Bank is in the process of aligning its performance management reporting system to the recently promulgated Results-Based Management System that the government has introduced for implementation by all state enterprises and parastatals ("SEPs").

In the preparation of financial statements, the Group fully complies with applicable International Financial Reporting Standards ("IFRSs") as well as provisions of the Infrastructure Development Bank of Zimbabwe Act (Chapter 24:14).

Board of Directors

Section 4 (2) of the Infrastructure Development Bank of Zimbabwe Act (Chapter 24:14) provides that 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 Minister of Finance ("the Minister"), as the regulator, is fully seized with the issue of regularizing the IDBZ board composition to ensure compliance with the Act. In the process of regularizing the board composition, the Minister has also been sensitized to the recommendations of the King I I I Report on Corporate Governance regarding board composition, which emphasizes the maintenance of an appropriate balance between executive and non executive directors. 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], and are amplified and codified into a Board Charter.

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 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 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 Bank Secretary serves as the coordinating interface between the Management, the Board, Board Committees and Shareholders of the Bank. The Bank 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 the Board members has a right to seek and obtain, at the Group's cost, independent expert and/or 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 institution'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 5 of the annual report.

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 respective terms of reference for the IDBZ's Board Committees are set out below:

Investment Committee

Chaired by a non-executive director, the Investment Committee is made up of all members of the Board and the Committee's main functions are to:

- consider and approve credit applications from the Group's business units within set approval limits;
- determine the form and value of collateral/security to be taken against loan exposures;
- consider and approve all equity investment proposals or applications; and,
- assess and review from time to time the soundness and appropriateness of the Group's strategy for growing the loan book and the overall business portfolio.

Audit Committee

The Audit Committee is chaired by a non-executive director and is made up of four (4) 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. He is a chartered accountant by profession. The Committee's terms of reference are:

- to ensure financial statements are prepared in compliance with the enabling Act and in accordance with applicable International Accounting Standards;
- to consider and/or review reasons for major year- on-year financial fluctuations in the Group's accounts
- to evaluate the effectiveness of management information systems and internal controls;
- to review, for adequacy, and approve the internal auditors' annual audit programmes and monitor the independence and effectiveness of the internal audit function;
- to review and approve audit programmes for the external auditor and monitor the effectiveness of the external audit function;
- to recommend the appointment or discharge of the Group's external auditor including the terms of engagement and remuneration for the auditors; and,
- to ensure effective and smooth cooperation between internal audit, risk management and compliance functions of the Group.

Corporate Governance Committee

This Committee is at the centre of the Board's emphasis on good corporate governance standards and practices; its terms of reference are as follows:

- to render assistance to the Board in the fulfillment of its oversight responsibilities regarding the effectiveness of the Group's corporate governance structures, practices and procedures;
- to develop and recommend to the full Board a set of corporate governance principles for adoption by the IDBZ from time to time in line with developments in international best practice;
- to review the process of identifying candidates

for appointment to the Board and to develop and recommend programmes for post-induction development/training for Board Members; and,

- to oversee the self-appraisal and performance evaluation of the Board and individual directors.

The Corporate Governance Committee comprises five (5) 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 on the major risk areas within the business operations of IDBZ. The Committee's terms of reference are set out as follows:

- to identify risks likely to adversely affect the Group's operations and communicate these to the relevant business units together with appropriate recommendations for mitigating the same;
- to review, for adequacy and effectiveness, the Group's overall risk identification, measurement and monitoring methods and mitigation procedures thereto;
- to ensure that comprehensive risk assessment policies and procedures are in place to cover the entire spectrum of the Group's business activities and implementation of bank-wide risk mitigation methodologies;
- to ensure adequate monitoring and follow-up mechanisms in respect of action plans recommended to address highlighted risk areas;
- to review the assets and liabilities profile of the Group and recommend an appropriate mix;
- to review and recommend prudent management of capital, investments, liquidity and exposures to interest rate, exchange rate or other market-movement related risks;
- to review and approve the annual budget for the Group;
- to review and approve strategy issues such as capital raising, joint ventures, offshore funding and offshore borrowings;
- to review the overall loan portfolio of the IDBZ for growth and quality and to review the Group's related lending practices and monitoring effectiveness in achieving the overall mandate and set corporate objectives; and,
- to review the risk mitigation and management practices and procedures underlying the loan portfolio and the effectiveness of loan rehabilitation; delinquent loan management and bad book recovery strategies and policies of the 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 management and organizational effectiveness systems.

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. The Committee's terms of reference are to:

- determine overall remuneration, retention and incentive schemes and benefits of executive management of the Group and to review the Chief Executive Officer's recommendations from time to time on granting of awards under the compensation and retention schemes established for IDBZ staff;
- recommend and monitor the level and structure of remuneration for senior executive management;
- review and recommend to the Board the Group's overall compensation policy for all staff under the IDBZ's employ;
- oversee succession planning policies for executive management and their adequacy;
- review, at least once annually, the organizational structure of the IDBZ and, where appropriate, recommend to the Board any material changes thereto; and,
- review and approve the proposed appointment of any person to a senior executive management position in the Group.

Board and Committee Attendance

Main Board

Director	31 Jan 2012	8 May 2012	19 Oct 2012	21 Nov 2012	%
W L Manungo (Chairman)-(Non Executive Officer)	✓	✓	✓	✓	100%
C Chikaura (Chief Executive Officer)	✓	✓	✓	✓	100%
V H Choga (Non executive director)	✓	x	✓	✓	75%
N Kudenga (Non executive director)	✓	x	✓	x	50%
J Mhakayakora (Non executive director)	✓	✓	✓	✓	100%
SS Mlambo (Non executive director)	x	✓	✓	✓	75%
M Sangarwe (Non executive director)	✓	✓	x	✓	75%
C Tawha (Non executive director)	✓	x	✓	✓	75%

Audit Committee

Member	17 Jan 2012	17 April 2012	7 May 2012	21 June 2012	3 Oct 2012	%
V H Choga (Chairman)(Non executive director)	✓	✓	x	✓	x	60%
J Mhakayakora (Non executive director)	x	x	✓	x	✓	40%
SS Mlambo (Non executive director)	✓	x	✓	✓	✓	80%
NHC Chiromo (Non executive director)	x	✓	✓	✓	✓	80%

Human Resources Committee

Member	30 Jan 2012	14 March 2012	15 Oct 2012	16 Nov 2012	%
J Mhakayakora (Chairman) (Non executive director)	✓	✓	✓	x	75%
C Chikaura (Non executive director)	✓	✓	✓	✓	100%
N Kudenga (Non executive director)	✓	x	✓	✓	75%
M Sangarwe (Non executive director)	✓	✓	x	x	50%
E Jinda (Non executive director)	✓	✓	✓	✓	100%

Risk Management Committee

Member	22 Mar 2012	17 Oct 2012	%
J Mhakayakora (Chairman) (Non executive director)	✓	✓	100%
C Chikaura (Non executive director)	✓	✓	100%
M Sangarwe (Non executive director)	x	x	0%
C Tawha (Non executive director)	✓	✓	100%

Key

✓ - Attended
x - Apology
n/a - Not Applicable

Corporate Governance Committee

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

Kennias Kanguru
Bank Secretary

21 May 2013

Board Oversight

The Board has the main responsibility for establishing the Bank's risk appetite. This is carried out through the following broad guidelines:

- providing strategic direction towards risk management; and,
- constantly monitoring the Bank's risk management strategy.

IDBZ Risk Management Approach

Risk management at IDBZ is undertaken on an integrated basis bank-wide so as ensure adequate reflection of risk interactions in all business activities of the Group. While the overall responsibility of risk management lies with the Board, it is the duty of senior management to transform the strategic direction set by the board in the shape of policies and procedures and institute an effective hierarchy to execute and implement those policies. To ensure that the policies are consistent with the risk tolerances of the Group the policies are approved by the Board.

The aggregation of the Group's risk profile is carried out centrally by the Bank's Risk Management and Compliance Unit at an enterprise-wide level while the different business units are responsible for the identification, measurement and reporting of the risk areas.

The Group has in place a Board-approved Enterprise-Wide Risk Management ("EWRM") framework which guides and informs all Group activities, processes, procedures, systems and policies. The Group's enterprise-wide risk management provides enhanced capability to:

- Align risk appetite and strategy;
- Link growth, risk and return;
- Enhance risk response decisions ;
- Minimize operational surprises and losses;
- Identify and manage cross enterprise risks;
- Provide integrated responses to multiple risks;
- Seize opportunities;
- Rationalise capital;

Risk Spectrum

The principal risks to which the Group is exposed are classified as follows;

Credit Risk

Credit risk is the risk of financial loss to the Group which would arise if a customer or counterparty to a financial instrument fails to meet its contractual obligations and it arises principally from the Group's loans and advances to customers and other banks.

Credit risk is managed by a comprehensive system of credit analysis, limit setting, credit approval, credit monitoring and review, and credit loss control. The Group'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 an assessment of the risk profile of the customer. It involves an evaluation of the following;

- evaluation of the borrower's industry, and macro economic factors;
- purpose of credit and source of repayment;
- track record or repayment history of borrower;
- repayment capacity of the borrower;
- the proposed terms and conditions and covenants;
- adequacy and enforceability of collaterals; and
- approval from appropriate authority.

Credit management process

In order to maintain credit discipline; credit policy formulation, credit limit setting, monitoring of credit facilities and review of credit facilities are functions that are performed by a unit independent of the loan origination function. The lending units are responsible for marketing, credit transaction initiation and credit appraisal. The Risk Management and Compliance Unit does independent credit risk review of the application and produces an independent report. The risk review process focuses on applicant's creditworthiness and compliance with policies on credit rating, credit risk appetite/tolerance and obligor and sector limits, collateral, and risk pricing among others.

IDBZ's credit policy provides guidelines on the following issues:

- Loan credit evaluation or appraisal process;
- Credit approval authority at various hierarchy levels including authority for approving exceptions;
- Risk identification, measurement, monitoring and control;
- Risk acceptance criteria;
- Credit origination and credit administration and loan documentation procedures;
- Roles and responsibilities of units/staff involved in origination and management of credit;
- Guidelines on managing problem loans;

Continuous monitoring of outstanding facilities is carried out by the Bank's Central Credit and Administration Unit.

Liquidity Risk

Liquidity risk is the potential for loss to an institution arising from either its inability to meet its obligations or to fund increases in assets as they fall due without incurring unacceptable cost or losses.

The responsibility for managing the overall liquidity of the Bank rests with the Management Asset and Liability Committee ("MALCO"). The committee is comprised of senior management, the treasury function and the risk management department. The MALCO is responsible for assigning adequate allocations of assets and liabilities and planning the Bank's long-term liquidity profile. The day-to-day management of the Bank's liquidity position is undertaken by the Treasury Unit. 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; and,
- Ability to liquidate market positions.

The main sources of funding for the Group are various money market and capital instruments. Short - term instruments include loans and credit lines, inter-bank loans, and the possibility to liquidate short-term positions in treasury securities, as well as clients' deposits. Long-term funding consists of shareholders' equity. A Liquidity Contingency Plan is in place to ensure efficient management of stress liquidity situations should they arise.

Market Risk

Market risk is the risk that the Group`s earnings or capital or its ability to meet business objectives will be adversely affected by changes in the level of volatility of market prices such as interest rates, credit spreads, equity prices and foreign exchange rates.

Market risks are monitored in real time by responsible Bank treasury traders/dealers and daily by Risk Management responsible for reporting regularly to the executive, MALCO, Risk Management Committee and Audit Committee meetings.

Operational Risk

Operational risk is the direct or indirect loss arising from a variety of causes associated with the Group`s processes, personnel, technology and infrastructure and from external factors other than credit, market and liquidity risks. Operational risks arise from all the Group`s operations and are faced by all sections of the Group.

In order to effectively manage operational risks the Group has adopted the use of an automated operational risk system called CURA. This is an operational risk solution which is designed to encourage and sustain a risk aware culture. Each department has a risk champion responsible for identifying risk areas and capturing risk events in the system as they occur. The solution encompasses all the key recommendations an organization must adopt to effectively manage operational risks as it is aligned to the Group's Operational Risk Framework and other popular frameworks such as ISO31000, COSO, Basel II, etc. The operational risk framework includes strategies articulated in concise operational risk policies, an operational risk governance structure, operational risk monitoring, loss recording, 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. 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 Group to impaired/tarnished reputation.

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

- Management of risks is an essential contribution to the achievement of business objectives;
- Risk management systems: This grouping sets out principles related to the design, development and management of systems, which will provide reliable information for risk management purposes;
- 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;
- The Board supports and promotes risk management, understands and accepts the time and resource implications of any countermeasures;

Strategic Risk

Strategic risk is the risk of an unattractive or adverse impact on capital and earnings due to business policy decisions (made or not made), changes in the economic environment, deficient or insufficient implementation of decisions, or a failure to adapt to changes in the environment.

The Board is ultimately responsible for the development, approval and application of the Group's strategic risk principles. The Board approves the Group's strategy, whilst management is responsible for implementation and ensuring regular reviews are done in line with changes in operating conditions.

Reputation Risk

Reputation risk results from damage to the Group's image which may impair its ability to retain and generate business. Such damage may result from a breakdown of trust, confidence or business relationships. Safeguarding the bank`s reputation is of paramount importance to its continued success and is the responsibility of each staff member.

IDBZ uses a multi-pronged strategy to manage operational risk, with the public relations and corporate communications department as the champion. The Group 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 that arises due to the Group's failure to adhere to legal and regulatory obligations thereby affecting its ability to retain and generate business. It could arise from environmental, social, regulatory or operational risk factors.

The Group manages this risk through a dedicated legal services and advisory department which, together with the Risk Management and Compliance unit, identifies, assesses and monitors the Group's exposure to legal and compliance risk in its business activities, products, processes, systems and practices.

Takaidza Mabuto
Head Risk and Compliance

Business of the IDBZ Group

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 of Finance 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 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 remained at 2,331,114 ordinary shares.

Preference Shares

The Board may authorise the issuance of preference shares as and when it is deemed necessary and expedient pursuant to the Group's recapitalization. During the year under review the Group did not issue any preference shares.

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%
Norton Medical Investments (Private) Limited	-	60%
Poundstone Investments (Private) Limited	-	100%
Chengetedzai Depository Company Limited	-	10%
Africom Continental (Private) Limited	-	33.31%

The Bank acquired a 10% equity stake in Chengetedzai Depository Company Limited ("CDC"), a company incorporated in 2010 with the objective of providing a central securities depository service for the country. Together with three other quasi-government institutions, the four institutions hold 51% shareholding in the company.

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 2012.

Corporate Governance and Performance Monitoring System

The Bank fully complied with the corporate governance and performance monitoring system established by Government for implementation by State Enterprises and Parastatals ("SEPs"). The framework requires these entities to submit half yearly reports to Government through their parent Ministries. Furthermore the Bank is in the process of aligning its performance reporting system with the Results Based Performance Management System that government requires SEPs to comply with.

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$37.5million arising from lines of credit availed to the predecessor organisation, 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 IDBZ's balance sheet and financial performance, Government has agreed in principle to take over the foreign debt. In that regard, the legal processes necessary to achieve that objective are currently under way.

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.

The Ministry of Finance has once again demonstrated its support to IDBZ by issuing a letter of comfort to support the Bank's going concern assumption.

Associated and subsidiary companies

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

Directorate

There were no movements on the Board of Directors. The Minister 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).

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 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 fees

Shareholders will be asked to approve the remuneration of the Auditors for the year ended 31 December 2012.

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

WL Manungo	C Chikaura
Chairman	Chief Executive Officer

21 May 2013

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 where 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 Group as at 31 December 2012

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 37 and 38 of this annual report.

The financial statements were approved by the Board of Directors on 21 May 2013 and are signed on its behalf by the Chairman and Chief Executive Officer.

W L Manungo
Chairman

C. Chikaura
Chief Executive Officer

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 statements of financial position as at 31December 2012 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 information as set out on pages 39 to 94.

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 ("IFRS") 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 misstatement, whether due to fraud or error.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements.The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, 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 financial statements.

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

Opinion

In our opinion, the financial statements present fairly, in all material respects the financial position of the Group and Bank as at 31 December 2012, 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 Infrastructure Development Bank of Zimbabwe Act (Chapter 24:14).

PricewaterhouseCoopers, Building No. 4, Arundel Office Park, Norfolk Road, Mount Pleasant
P O Box 453, Harare, Zimbabwe
T: +263 (4) 338362-8, F: +263 (4) 338395, www.pwc.com

T I Rwodzi Senior Partner
The Partnership's principal place of business is at Arundel Office Park, Norfolk Road, Mount Pleasant, Harare, Zimbabwe where a list of the Partners' names is available for inspection.

Emphasis of matter

We draw attention to note 2.1.5 which indicates that the Group operates in an uncertain macroeconomic environment.

As disclosed in note 20, the Group has shareholder loans denominated in various foreign currencies amounting to US$39 797 560 as at 31 December 2012, 80% of which are guaranteed by the Government of Zimbabwe. The majority of these 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 2012, total liabilities of the Group exceeded total assets by US$ 11 344 865.

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

PricewaterhouseCoopers
Chartered Accountants (Zimbabwe)

Harare 24 June 2013

	Note	CONSOLIDATED 2012 US$	CONSOLIDATED 2011 US$	BANK 2012 US$	BANK 2011 US$
ASSETS					
Cash and cash equivalents	6	10 897 032	23 748 808	10 892 667	23 654 943
Financial assets at fair value through profit or loss	7	6 198	43 904	6 166	5 947
Available for-sale financial assets	8	173 156	-	173 156	-
Loans and advances to customers	9	66 443 494	30 548 961	66 364 600	30 416 163
Assets pledged as collateral	9.3	11 244 420	11 029 971	11 244 420	11 029 971
Trade and other receivables	10	3 769 328	4 520 195	3 610 956	4 225 607
Investment in associates	11.2	2 599 337	1 696 055	2 993 945	1 696 055
Investments in subsidiaries	11.1	-	-	1 057 363	1 569 153
Inventories	12	185 249	249 941	17 592	60 437
Investment property	13	11 128 092	6 447 760	11 088 092	6 407 760
Intangible assets	14	665 632	706 878	665 632	706 878
Property and equipment	15	4 398 337	4 123 830	2 998 337	2 723 830
		111 510 275	83 116 303	111 112 926	82 496 744
Non-current assets held for sale	16	-	338 846	-	74 140
Total assets		111 510 275	83 455 149	111 112 926	82 570 884
Equity and liabilities					
Equity attributable to owners of the parent					
Share capital	17	23 311	23 311	23 311	23 311
Share premium	17	5 847 969	5 847 969	5 847 969	5 847 969
Non distributable reserves	18	(22 373 613)	(22 373 613)	(22 116 996)	(22 116 996)
Retained earnings		4 681 067	1 606 756	4 990 378	1 524 871
		(11 821 266)	(14 895 577)	(11 255 338)	(14 720 845)
Non-controlling interest in equity		476 401	537 427	-	-
Total equity		(11 344 865)	(14 358 150)	(11 255 338)	(14 720 845)
LIABILITIES					
Deposits from customers	19	57 070 817	46 702 685	57 192 545	46 702 685
Foreign lines of credit	20	39 797 560	37 164 316	39 797 560	37 164 316
Local lines of credit and bonds	21	22 910 708	10 821 136	22 910 708	10 821 136
Other liabilities	22	3 076 055	3 125 162	2 467 451	2 603 592
Total liabilities		122 855 140	97 813 299	122 368 264	97 291 729
Total equity and liabilities		111 510 275	83 455 149	111 112 926	82 570 884

These financial statements were approved by the Board of Directors and signed on their behalf by:

Willard L. Manungo
(Chairman

Charles Chikaura
(Chief Executive Officer)

Kennias Kanguru
(Bank Secretary)
21 May 2013

	Note	2012 US$	2011 US$
Interest and similar income	23.1	13 513 891	14 886 407
Interest and similar expense	23.2	(6 547 998)	(4 952 009)
Net interest income		6 965 893	9 934 398
Loan impairment charge	24	(2 097 028)	(5 745 473)
Net interest income after impairment charge		4 868 865	4 188 925
Fee and commission income	25	2 398 819	2 874 242
Net gains/(losses) on financial assets at fair value through profit or loss	26	3 542	(4 023)
Dividend income		1 224	1 789
Other operating income	27	1 628 227	434 253
Fair value gain on investment property	28	4 264 869	1 016 750
Net foreign exchange gains	29	337 088	1 472 124
Operating expenses	30	(9 772 524)	(8 570 479)
Share of loss from associates	11	(220 858)	(198 890)
Profit for the year		3 509 252	1 214 691
Other comprehensive income:		-	-
Total comprehensive income for the year		3 509 252	1 214 691
Total comprehensive income attributable to:			
Equity holders of the parent entity		3 574 289	1 232 567
Non-controlling interest		(65 037)	(17 876)
		3 509 252	1 214 691
Earnings per share from continuing operations attributable to the equity holders of the Bank during the year (expressed in UScents per share)			
Basic and diluted earnings per share			
From profit for the year attributable to equity holders	31	153	53

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2012

	Attributable to owners of the parent entity						
	Ordinary share Capital US$	Share premium US$	Non distributable reserve ("NDR") US$	(Accumulated losses)/ retained earnings US$	Total before non-controlling interest US$	Non controlling interest US$	Total equity US$
Balance as at 1 January 2011	21 537	849 743	(22 373 613)	874 189	(20 628 144)	555 303	(20 072 841)
Profit /(Loss) 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)
Balance as at 1 January 2012	23 311	5 847 969	(22 373 613)	1 606 756	(14 895 577)	537 427	(14 358 150)
Profit /(Loss) for the year	-	-	-	3 574 289	3 574 289	(65 037)	3 509 252
Total comprehensive income	-	-	-	3 574 289	3 574 289	(65 037)	3 509 252
Transactions with owners:							
Derecognition of non-controlling interests	-	-	-	-	-	4 011	4 011
Dividend paid	-	-	-	(499 978)	(499 978)	-	(499 978)
Balance as at 31 December 2012	23 311	5 847 969	(22 373 613)	4 681 067	(11 821 266)	476 401	(11 344 865)

	Note	2012 US$	2011 US$
Cash flows from operating activities			
Profit for the year		3 509 252	1 214 691
Adjustments for non-cash items:			
Depreciation of property and equipment	15	343 068	354 509
Amortisation of intangible assets	14	231 038	93 014
Impairment loss on loans and advances to customers	24	2 097 028	5 745 473
Net unrealised foreign exchange losses / (gains)	29	137 905	(711 955)
Loss on disposal of property and equipment		(38 925)	-
Profit on disposal of subsidiaries		(494 061)	-
Fair value gain on investment property	13	(4 264 869)	(1 016 750)
Non-cash interest expense on foreign lines of credit		1 313 566	2 066 265
Provisions and accruals		1 065 693	985 359
Net losses on financial assets at fair value through profit or loss		(3 542)	4 023
Share of losses from associates	11.2	220 858	198 890
Repayment of loan through encumbered assets		(1 200 000)	-
Other non cash items		(7 721)	(65 672)
		2 909 290	8 867 847
(Increase)/Decrease in loans and advances to customers		(37 991 561)	2 537 280
(Increase)/Decrease in assets pledged as collateral		(214 449)	2 826 374
Decrease/(increase) in trade and other receivables		275 946	(2 899 773)
Increase in deposits from customers		10 368 132	27 039 983
(Decrease)/increase in other liabilities		(49 107)	268 594
Net cash inflows/(outflow) from operating activities		(24 701 749)	(38 614 305)
Cash flows from investing activities			
Purchase of property and equipment	15	(359 159)	(687 667)
Proceeds from sale of property and equipment		38 925	-
Purchase of interests in associates		(1 050 000)	-
Sale of interest in a subsidiary to non-controlling interest		687 831	-
Purchase of available for sale financial assets		(173 156)	-
Purchase of intangible assets	14	(189 454)	(435 636)
Proceeds from sale of investment property		252 100	-
Net cash (outflow)/ inflow from investing activities		(792 913)	(1 123 303)
Cash flows from financing activities			
Payment of dividends		(499 978)	(500 000)
Repayment of foreign lines of credit		(1 200 000)	-
Increase in foreign lines of credit		2 253 292	-
Increase/(decrease) in bonds and local lines of credit		12 089 573	(72 315 435)
Issue of shares	17	-	5 000 000
Net cash generated from financing activities		12 642 887	(67 815 435)
Net increase in cash and cash equivalents		(12 851 775)	(30 298 433)
Cash and cash equivalents at the beginning of year		23 748 808	54 047 241
Cash and cash equivalents at the end of year	6	10 897 032	23 748 808

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 Board of directors on 21 May 2013.

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 2.26.

2.1.1 New standards, amendments and interpretations, effective on or after 1 January 2012

The following new standards, amendments and interpretations are effective for accounting periods beginning on or after 1 January 2012 and are relevant to the Group.

Standard/ Interpretation	Content	Applicable for financial years beginning on/ after
IAS 1 (amendment)	'Presentation of financial statements',on presentation of items of OCI	1 January 2012
IFRS 1 (amendment)	'First time adoption' on fixed dates and hyperinflation.	1 July 2011

Amendments to IAS 1, 'Presentation of Financial Statements', on presentation of items of OCI The IASB has issued an amendment to IAS 1, 'Presentation of financial statements'. The main change resulting from these amendments is a requirement for entities to group items presented in other comprehensive income (OCI) on the basis of whether they are potentially reclassifiable to profit or loss subsequently (reclassification adjustments). The amendments do not address which items are presented in OCI. The amendment does not have a material impact on the Group's financial statements.

Amendments to IFRS 1, 'First time adoption' on hyperinflation and fixed dates. The first amendment 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 IFRS 1 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 31 December 2009

The following new standards, amendments and interpretations are effective for accounting periods beginning on or after 1 January 2012 and are not relevant to the Group:

Standard/ Interpretation	Content	Applicable for financial years beginning on/ after
IAS 12 (amendment)	Income taxes' on deferred tax	1 January 2012

Amendment to IAS 12,'Income taxes' on deferred tax. Currently IAS 12, 'Income taxes', 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 recovery will be through use or through sale when the asset is measured using the fair value model in IAS 40 Investment Property. Hence this amendment introduces an exception to the existing principle for the measurement of deferred tax assets or 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', would no longer apply to investment properties carried at fair value. The amendments also incorporate into IAS 12 the remaining guidance previously contained in SIC 21, which is accordingly withdrawn.

2.1.3 New standards, amendments and interpretations, effective for accounting periods beginning after 1 January 2012, and not early adopted.

The following new standards, amendments and interpretations have 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 19	Employee Benefits	1 January 2013
IAS 27 (amendment)	Separate financial statements	1 January 2013
IAS 28 (amendment)	Associates and joint ventures	1 January 2013
IAS 32 (amendment)	Financial Instruments: Presentation	1 January 2014
IFRS 9 (2009) (amendment)	Financial instruments	1 January 2013
IFRS 9 (2010) (amendment)	Financial instruments	1 January 2013
IFRS 9 (2011) (amendment)	Financial instruments	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
Annual improvements	Improvements to various international Financial Reporting Standards	1 January 2013

IAS 19, 'Employee benefits'. The amendment makes significant changes to the recognition and measurement of defined benefit pension expense and termination benefits, and to the disclosures for all employee benefits.

IAS 27 (revised 2011) 'Separate financial statements'. This 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, (revised 2011) 'Associates and joint ventures'. This standard includes the requirements for joint ventures, as well as associates, to be equity accounted following the issue of IFRS 11.

IAS 32, 'Financial instruments: Presentation'. The IASB has issued amendments to the application guidance that clarifies some of the requirements for offsetting financial assets and financial liabilities on the balance sheet. However, the clarified offsetting requirements for amounts presented in the statement of financial position continue to be different from US GAAP.

IFRS 9, 'Financial instruments (2009)'. This IFRS is part of the IASB's project to replace IAS 39. IFRS 9 addresses classification and measurement of financial assets and replaces the multiple classification and measurement models in IAS 39 with a single model that has only two classification categories: amortised cost and fair value.

IFRS 9, 'Financial Instruments (2010)'. The IASB has updated IFRS 9, 'Financial instruments' to include guidance on financial liabilities and derecognition of financial instruments. The accounting and presentation for financial liabilities and for derecognising financial instruments has been relocated from IAS 39, 'Financial instruments: Recognition and measurement', without change, except for financial liabilities that are designated at fair value through profit or loss.

IFRS 9, 'Financial Instruments (2011)'. The IASB has published an amendment to IFRS 9, 'Financial instruments', that delays the effective date to annual periods beginning on or after 1 January 2015. The original effective date was for annual periods beginning on or after from 1 January 2013. This amendment is a result of the board extending its timeline for completing the remaining phases of its project to replace IAS 39 (for example, impairment and hedge accounting) beyond June 2011, as well as the delay in the insurance project. The amendment confirms the importance of allowing entities to apply the requirements of all the phases of the project to replace IAS 39 at the same time. The requirement to restate comparatives and the disclosures required on transition have also been modified.

IFRS 10, 'Consolidated financial statements'. This standard 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. The standard provides additional guidance to assist in determining control where this is difficult to assess. This new standard might impact the entities that a group consolidates as its subsidiaries.

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

IFRS 13, 'Fair value measurement'. IFRS 13 aims to improve consistency and reduce complexity by providing This standard 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 requirements, which are largely aligned between IFRSs and US GAAP, do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within IFRSs or US GAAP.

Annual improvements

Improvements to IFRS were issued by the International Accounting Standard Board ("IASB") to be applied for financial periods beginning on or after 1 January 2013. They contain numerous amendments to IFRS that the IASB considered non urgent but necessary. Improvements to IFRS comprise arrangements that result in accounting changes for presentation, recognition or measurement purpose as well as terminology amendments related to a variety of individual IFRS standards.

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 2012

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

Standard/ Interpretation	Content	Applicable for financial years beginning on/ after
IAS 34 (amendment)	Interim financial reporting	1 January 2012
IAS 11 (amendment)	Joint arrangements	1 January 2013
IAS 16 (amendment)	Property, plant and equipment	1 January 2013

Amendment to IAS 34, 'Interim financial reporting'. The amendment brings IAS 34 into line with the requirements of IFRS 8, 'Operating segments'. A measure of total assets and liabilities is required for an operating segment in interim financial statements if such information is regularly provided to the CODM and there has been a material change in those measures since the last annual financial statements.

IAS 16, Property, plant and equioment, (amendment). The amendment clarifies that spare parts and servicing equipment are classified as property, plant and equipment rather than inventory when they meet the definition of property, plant and equipment.

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

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$37.5million as at 31 December 2012 that are overdue. These loans were advanced by foreign shareholders of the Bank who now own less 1% 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.

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.

As at 31 December 2012 total liabilities of the Group exceeded total assets by US$11 344 863 (31 December 2011 - 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, without further support from its shareholders.

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 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 consolidated 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.

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

2.3 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 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 consolidated 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 and recognises the amount adjacent to 'share of profit/ (loss) of an associate' in the consolidated 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 consolidated 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 short-term 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 and liabilities

2.5.1 Financial assets

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.

a) 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.

b) Loans and receivables

Loans and receivables 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 them immediately or in the short-term. The Group's loans and receivables comprise 'loans and advances to customers', 'assets pledged as collateral', 'trade and other receivables' and 'cash and cash equivalents' in the statement of financial position.

c) 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 categories.

2.5.2 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 bonds and other liabilities. The Group derecognises a financial liability when its contractual obligations are discharged or cancelled or have expired.

a) Customer deposits

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

b) Lines of credit and bonds

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

2.5.3 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 consolidated 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 consolidated 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.

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 consolidated 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 consolidated 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 consolidated statement of comprehensive income as 'gains or losses from investment securities'. Dividends on available-for-sale equity investments are recognised in the consolidated 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.

2.5.4 Categories of financial instruments

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:

<table>
<tr><td colspan="2">Category (as defined by IAS 39) Financial Instruments: Recognition and Measurement</td><td colspan="2">Class (as determined by the Group)</td><td>Subclasses '(as determined by the Group)</td></tr>
<tr><td rowspan="9">Financial assets</td><td rowspan="2">Financial assets at fair at fair value through profit or loss</td><td colspan="2">Financial assets held for trading</td><td>Equity securities listed on the Zimbabwe Stock Exchange</td></tr>
<tr><td colspan="2"></td><td>Bankers acceptances</td></tr>
<tr><td rowspan="6">Loans and receivables</td><td colspan="3">Balances with other banks and cash</td></tr>
<tr><td colspan="3">Loans and advances to other banks</td></tr>
<tr><td rowspan="4">Loans and advances to customers</td><td>Loans to individuals</td><td>Staff loans</td></tr>
<tr><td rowspan="3">Loans to corporate entities</td><td>Large corporate customers</td></tr>
<tr><td>SMEs</td></tr>
<tr><td>Bankers' acceptances</td></tr>
<tr><td>Available for sale financial assets</td><td colspan="2">Investment securities - equity securities</td><td>Unlisted equity securities</td></tr>
<tr><td colspan="5"></td></tr>
<tr><td rowspan="5">Financial liabilities</td><td rowspan="5">Financial liabilities at amortised cost</td><td colspan="3">Deposits from other banks</td></tr>
<tr><td colspan="3">Lines of credit and bonds</td></tr>
<tr><td colspan="2" rowspan="3">Customers deposits</td><td>Large corporate customers</td></tr>
<tr><td>SMEs</td></tr>
<tr><td>Individuals</td></tr>
<tr><td rowspan="2">Contingent liabilities and commitments</td><td rowspan="2"></td><td colspan="3">Loan commitments</td></tr>
<tr><td colspan="3">Guarantees and letters of credit</td></tr>
</table>

2.5.5 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.

2.5.6 Impairment of financial assets

a) **Assets carried at amortised cost**

The Group assesses at each statement of financial position 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 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 consolidated 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 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.

b) 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 consolidated statement of comprehensive income on equity instruments are not reversed through the consolidated 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.

2.6 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.

2.7 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.

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 statement of financial position 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 in the statement of comprehensive income

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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.

2.8 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 assets.

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

2.9 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.

2.10 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.

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 statement of financial position date by independent 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 derecognised.

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 participants would take into account when determining the value of the investment property.

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 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 other comprehensive income against any previously recognised revaluation surplus, with any remaining decrease charged to consolidated statement of comprehensive income.

2.11 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 the statement of comprehensive income as incurred.

Land is not depreciated. Depreciation on other assets is calculated using the straight-line basis to allocate their cost to their residual values over their useful lives .

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

2.12 Intangible assets

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 a straight-line basis over their estimated useful lives.

2.13 Impairment of non-financial assets

Assets that have an indefinite useful life - for example, 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.

2.14 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 tax from the proceeds.

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 deducted from equity attributable to the equity holders 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).

2.15 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 and bonus.

2.16 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.

2.17 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 financial position.

The finance charges earned are computed at the effective interest rate 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. The Group has no finance leases during the reporting period ended 31December 2012 (2011:US$ nil).

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.

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

2.18 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).

2.19 Related parties

Related party transactions and outstanding balances with key management and other entities in the Group are disclosed in note 35 to the financial statements.

2.20 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.

2.21 Income

2.21.1 Net interest

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.

2.21.2 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.

2.21.3 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.

2.21.4 Rental income

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

2.22 Employee benefits

2.22.1 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.

2.22.2 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.

2.22.3 Short term employee benefits

Short term employee benefit obligations are measured on an undiscounted basis and are expensed as 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.

2.23 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.

2.24 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.

2.25 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.

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

2.26 Critical accounting estimates and judgement

The Group's financial position and its financial results are influenced by assumptions, estimates and management judgment, 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:

2.26.1 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 consolidated 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 similar 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.

2.26.2 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, 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.

2.26.3 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 Bank's 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 possibility 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.

The Group manages 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.

3 RISK MANAGEMENT (continued)

3.2 Credit risk (continued)

Maximum exposure to credit risk before collateral held or other credit enhancement

	Maximum Exposure 31 Dec 2012 US$	Maximum Exposure 31 Dec 2011 US$
Credit risk exposure relating to on-balance sheet assets are as follows:		
Cash and cash equivalents	10 586 268	23 550 539
Loans and advances to customers	76 087 578	38 719 863
Assets pledged as collateral	11 244 420	11 029 971
Trade and other receivables	3 742 960	4 520 195
	101 661 226	77 820 564
Credit risk exposure relating to off-balance sheet assets are as follows:		
Loan commitments (note 32)	32 460 959	19 853 248
Maximum exposure to credit risk	134 122 185	97 673 816

The increase in credit risk exposure was due to the following:

(a) Infrastructure bonds loan of $17.8m created during the year, and

(b) The Group increased credit limits for borrowing clients who are not highly susceptible to poor economic performance and whose businesses could justify a higher limit.

There is no significant risk with respect to cash and cash equivalents as the Group holds bank accounts with large financial institutions with sound financial and capital cover. The fair value of cash and cash equivalents at the reporting date approximates the carrying amount.

	CONSOLIDATED		BANK	
Loans and advances (including assets pledged as collateral are summarised as follows:	Loans and advances to customers 2012 US$	Loans and advances to customers 2011 US$	Loans and advances to customers 2012 US$	Loans and advances to customers 2011 US$
Neither past due nor impaired	39 731 466	20 314 007	39 652 572	20 181 210
Individually impaired	36 356 112	18 379 231	36 356 112	18 379 231
Gross	76 087 578	38 693 239	76 008 684	38 560 441
Less: allowance for impairment	(9 644 084)	(8 144 278)	(9 644 084)	(8 144 278)
Net	66 443 494	30 548 961	66 364 600	30 416 163

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. Management meets regularly to set and review the Group's strategies. The Bank's 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.

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.

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

Contract maturity analysis

The table below analysis the Group's non directive financial liabilities and assets into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date

As at 31 December 2012	Up to 1 month US$	1 to 3 months US$	3 to 9 months US$	9 to 12 months US$	Over 12 months US$	Total US$
Assets						
Cash and cash equivalents	10 897 032	-	-	-	-	10 897 032
Financial assets at fair value through profit or loss	6 198	-	-	-	-	6 198
Trade and other receivables	-	3 769 328	-	-	-	3 769 328
Available for sale financial assets	-	-	-	-	173 156	173 156
Loans and advances to customers	9 441 761	9 538 704	35 580 362	-	13 308 587	67 869 414
Assets pledged as collateral	-	11 244 420	-	-	-	11 244 420
Total assets	20 344 991	24 552 452	35 580 362	-	13 481 743	93 959 548

	Up to 1 month US$	1 to 3 months US$	3 to 9 months US$	9 to 12 months US$	Over 12 months US$	Total US$
Liabilities						
Deposits from customers	57 070 817	-	-	-	-	57 070 817
Foreign lines of credit	37 544 268	-	-	-	2 370 238	39 914 506
Local lines of credit	4 875 100	-	-	5 006 346	13 164 041	23 054 487
Other liabilities	-	3 076 055	-	-	-	3 076 055
Total liabilities	99 490 185	3 076 055	-	5 006 346	15 534 279	123 106 865
Gap	(79 145 194)	21 476 397	35 580 362	(5 006 346)	(2 052 536)	(29 147 317)
Liabilities:						
Loan commitments	32 460 959	-	-	-	-	32 460 959
Total gap	(111 606 152)	21 476 397	35 580 362	(5 006 346)	(2 052 536)	(61 608 276)
Total cumulative gap	(111 606 152)	(90 129 756)	(54 549 394)	(59 555 740)	(61 608 276)	-
As at 31 December 2011						
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
Trade and other receivables	-	4 520 195	-	-	-	4 520 195
Assets pledged as collateral	-	11 029 971	-	-	-	11 029 971
Total assets	40 071 870	27 819 834	2 000 035	-	-	69 891 839
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)	24 694 772	2 000 035	-	1 200 000	(29 121 460)
Liabilities:						
loan commitments	19 853 249	-	-	-	-	19 853 249
Total gap	(74 469 516)	24 694 772	2 000 035	-	(1 200 000)	(48 974 709)
Total cumulative gap	(74 469 515)	(49 774 744)	(47 774 709)	(47 774 709)	(48 974 709)	-

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.

3.4.1 Interest rate risk

Interest rate risk arises due to assets and liabilities maturing at different times and thereby necessitating the rollover and re-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
- 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 Board

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 activity is authorised by the Board, and
(d) Security purchases and sales.

3.4 Market risk (continued)

3.4.1 Interest rate risk

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 2012	Up to 1 month US$	1 to 3 months US$	3 to 9 months US$	9 to 12 months US$	Over 12 months US$	Non interest bearing US$	Total US$
Assets							
Cash and cash equivalents	10 897 032	-	-	-	-	-	10 897 032
Financial assets at fair value through profit or loss	6 198	-	-	-	-	-	6 198
Loans and advances to customers	9 441 761	9 538 704	35 580 362	-	11 882 667	-	66 443 494
Available for sale financial assets					-	173 156	173 156
Assets pledged as collateral	-	11 244 420	-	-	-	-	11 244 420
Trade and other receivables	-	-	-	-	-	3 769 328	3 769 328
Investments in associates	-	-	-	-	-	2 599 337	2 599 337
Inventories	-	-	-	-	-	185 249	185 249
Investment property	-	-	-	-	-	11 128 092	11 128 092
Intangible assets	-	-	-	-	-	665 632	665 632
Property and equipment	-	-	-	-	-	4 398 337	4 398 337
Non current assets held for sale	-	-	-		-	-	-
Total assets	20 344 991	20 783 124	35 580 362	-	11 882 667	22 919 131	111 510 275
Liabilities							
Deposits from customers	57 070 817	-	-	-	-	-	57 070 817
Foreign lines of credit	37 544 268	-	-	-	2 253 292	-	39 797 560
Local lines of credit	4 875 100	-	-	6 068 299	11 967 310	-	22 910 708
Other liabilities	-	-	-	-	-	3 076 055	3 076 055
Shareholders' equity	-	-	-	-	-	(11 344 865)	(11 344 865)
Total equity and liabilities	99 490 185	-	-	6 068 299	14 220 602	(8 268 809)	111 510 275
Total interest repricing gap	(79 145 193)	20 783 124	35 580 362	(6 068 299)	(2 337 935)	31 187 940	-
Total cumulative gap	(79 145 193)	(58 362 069)	(22 781 707)	(28 850 007)	(31 187 940)	-	-

3.4 Market risk (continued)

3.4.1 Interest rate risk (continued)

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$	Over 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
Non-current assets 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
Liabilities							
Deposits from customers	46 702 685	-	-	-	-	-	46 702 685
Foreign lines of credit	35 964 316	-	-	-	1 200 000	-	37 164 316
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)	(30 177 647)	(1 200 000)	-

3.4 Market risk (continued)

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.

Interest rate change	Effect on profit before income tax 2012 US$	Effect on profit before income tax 2011 US$
5% increase / (decrease)	675 695	494 348
10% increase / (decrease)	1 351 389	988 695

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 2012	US$	ZAR US$ equivalent	BWP US$ equivalent	GBP US$ equivalent	Euro US$ equivalent	Other US$ equivalent	Total US$
Assets							
Balances with banks and cash	10 732 200	23 419	10 075	2 894	115 843	12 600	10 897 032
Financial assets at fair value through profit or loss	6 198	-	-	-	-	-	6 198
Loans and advances	66 443 494		-	-	-	-	66 443 494
Available for sale financial assets	173 156						173 156
Assets pledged as collateral	11 244 420	-	-	-	-	-	11 244 420
Trade and other receivables	3 769 328	-	-	-	-	-	3 769 328
	92 368 796	23 419	10 075	2 894	115 843	12 600	92 533 628
Liabilities and shareholders' equity							
Deposits from customers	57 052 036	14 788	2 794	97	1 102	-	57 070 817
Foreign lines of credit	12 396 374	-	-	1 811 417	20 876 647	4 713 122	39 797 560
Local lines of credit	22 910 708	-	-	-	-	-	22 910 708
Other liabilities	3 076 055	-	-	-	-	-	3 076 055
	95 435 173	14 788	2 794	1 811 514	20 877 749	4 713 122	122 855 140
Net foreign exchange position	(3 066 378)	8 631	7 281	(1 808 619)	(20 761 905)	(4 700 521)	

3.4 Market risk (continued)

3.4.2. Foreign exchange risk (continued)

As at 31 December 2011 Assets	US$	ZAR US$ equivalent	BWP US$ equivalent	GBP US$ equivalent	Euro US$ equivalent	Other US$ equivalent	Total US$
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
As at 31 December 2011							
Liabilities and shareholders' equity							
Deposits from customers	46 661 163	12 352	28 993	177	-	-	46 702 685
Foreign lines of credit	11 115 177	-	-	1 654 809	19 641 875	4 752 455	37 164 316
Local lines of credit	10 821 136	-	-	-	-	-	10 821 136
Other liabilities	3 125 162	-	-	-	-	-	3 125 162
	71 722 638	12 352	28 993	1 654 986	19 641 875	4 752 455	97 813 299
Net foreign exchange position	(4 533 908)	166 946	1 241	(1 640 585)	(17 176 913)	(4 738 241)	

The Group had no off balance sheet foreign currency exposure as at 31 December 2012 (31 December 2011 - 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 2012.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 2012 US$	Effect on profit before tax 2011 US$
5% appreciation/(depreciation)	1 038 095	875 259
10% appreciation/(depreciation)	2 076 191	1 750 518

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 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$ 310 (2011 : US$2 196).

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 Management and Compliance 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 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. The Group has no set regulatory capital amount.

5 FINANCIAL ASSETS AND LIABILITIES-FAIR VALUE AND RISK MITIGATION POLICES

5.1 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 2012.

At 31 December 2012	Level 1 US$	Level 2 US$	Level 3 US$
Financial assets at fair value through profit or loss	6 198	-	-
Total assets	6 198	-	-
Total liabilities	-	-	-
At 31 December 2011			
Financial assets at fair value through profit or loss	43 904	-	-
Total assets	43 904	-	
Total liabilities	-	-	-

5.2 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

	Carrying value 2012 US$	Fair value 2012 US$	Carrying value 2011 US$	Fair value 2011 US$
Financial assets :				
Loans and advances to customers	66 443 494	66 443 494	30 548 961	30 548 961
Assets pledged as collateral	11 244 420	11 244 420	11 029 971	11 029 971
Available for sale financial assets	1 73156	1 73156	-	-
Trade and other receivables excluding prepayments	3 217 168	3 217 168	2 939 796	2 939 796
Financial liabilities:				
Deposit from customers	57 070 817	57 070 817	46 702 685	46 702 685
Lines of credit and bonds:				
- foreign	39 797 560	39 797 560	37 164 316	37 164 316
- local	22 910 708	22 910 708	10 821 136	10 821 136

It is assessed that the carrying amount approximate the financial assets' fair value because of their short tenor and market conditions that had not changed for financial liabilities *(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 due to their short tenor.

(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.

5.2 Risk Control

5.2.1 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 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.

5.2.2 Impairment and allowances policies

Impairment allowances are recognised for financial reporting purposes only for losses that have been incurred at the reporting 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.

The internal rating tool assists management to determine whether objective evidence of impairment existsunder 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.

	CONSOLIDATED		BANK	
	2012 US$	2011 US$	2012 US$	2011 US$
6 CASH AND CASH EQUIVALENTS				
Cash on hand	310 764	198 269	310 764	198 269
Balances with banks	10 586 268	23 550 539	10 581 903	23 456 674
	10 897 032	23 748 808	10 892 667	23 654 943
Current	10 897 032	23 748 808	10 892 667	23 654 943

	CONSOLIDATED		BANK	
	2012 US$	2011 US$	2012 US$	2011 US$
Cash and cash equivalents include the following for the purposes of the statement of cash flows:				
Cash and cash equivalents	10 897 032	23 748 808	10 892 667	23 654 943

7 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

Listed equity securities	6 198	43 904	6 166	5 947
Current	6 198	43 904	6 166	5 947

Financial assets at fair value through profit or loss are presented within 'operating activities' as part of "non cash adjustments" in the statement of cash flows. 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	
	2012 US$	2011 US$	2012 US$	2011 US$

8 AVAILABLE FOR SALE FINANCIAL ASSETS

Investment in unlisted securities	173 156	-	173 156	-
Non-current	173 156	-	173 156	-

The Group acquired 30 539 ordinary shares in Chengetedzai Depository Company Limited at a cost of $173 156 during the year and the investment has been recognized as an available for sale financial asset. The investment has been carried at cost paid out to acquire the shares to use in calculating the current fare value as there is no observable market data to use in calculating fair value.

	CONSOLIDATED		BANK	
	2012 US$	2011 US$	2012 US$	2011 US$
9 LOANS AND ADVANCES TO CUSTOMERS				
Individual				
- term loans	2 166 029	497 159	2 166 029	497 159
Corporate				
- corporate customers	73 921 549	38 222 704	73 842 655	38 063 282
Gross loans and advances to customers	76 087 578	38 719 863	76 008 684	38 560 441
Less: allowance for impairment (note 9.1)	(9 644 084)	(8 170 902)	(9 644 084)	(8 144 278)
Net loans and advances to customers	66 443 494	30 548 961	66 364 600	30 416 163
Current	54 560 827	30 548 961	54 481 933	30 416 163
Non-current	11 882 667	-	11 882 667	-

	CONSOLIDATED		BANK	
	2012	2011	2012	2011
9 LOANS AND ADVANCES TO CUSTOMERS	US$	US$	US$	US$
9.1 Allowances for impairment of loans and advances				
Specific and collective allowance				
Balance at 1 January	8 170 902	3 438 278	8 144 278	3 411 654
Allowance for loan impairment (note 24)	2 097 028	5 745 473	2 097 028	5 745 473
Loans written off	(623 846)	(1 012 849)	(597 222)	(1 012 849)
Balance at 31 December	9 644 084	8 170 902	9 644 084	8 144 278
9.2.1 Maturity analysis of loans and advances to Customers				
Up to one month	9 441 761	16 279 158	9 441 761	6 146 360
Up to three months	9 538 704	12 269 768	9 538 704	12 269 768
Up to one year	35 580 362	2 000 035	35 501 468	2 000 035
Up to 3 years	11 882 667	-	11 882 667	-
	66 443 494	30 548 961	66 364 600	30 416 163

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.

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	2012 %	2012 US$	2011 (%)	2011 US$
Manufacturing	24%	16 132 062	25%	7 554 398
Retail	11%	6 981 714	11%	3 412 160
Agro processing	6%	3 984 612	19%	5 732 985
Mining	5%	3 227 105	10%	3 212 007
Tourism and hospitality	16%	10 526 759	9%	2 785 105
Telecommunications	1%	909 000	10%	3 190 139
Construction	4%	2 623 961	8%	2 454 087
Financial institutions	0%	-	6%	1 710 919
Energy	27%	17 984 416	0%	-
Individuals and other services	6%	4 073 865	2%	497 160
	100%	66 443 494	100%	30 548 961

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	
	2012 US$	2011 US$	2012 US$	2011 US$
Financial assets held to maturity	11 244 420	11 029 971	16 544 862	8 040 008
Current	11 244 420	11 029 971	16 544 862	8 040 008

All collateral agreements mature within 12 months.

	CONSOLIDATED		BANK	
	2012	2011	2012	2011
10 TRADE AND OTHER RECEIVABLES	US$	US$	US$	US$
Trade receivables	3 742 960	3 115 684	3 345 318	2 227 079
Less: allowance for impairment (note 10.1)	(525 792)	(192 451)	(390 752)	(192 451)
Net trade receivables	3 217 168	2 923 233	2 954 566	2 034 628
Pre-payments	552 160	1 580 399	552 160	1 543 468
Amounts due by group companies	-	-	104 229	630 947
Other	-	16 563	-	16 564
	3 769 328	4 520 195	3 610 956	4 225 607
Current	3 769 328	4 520 195	3 610 956	4 225 607

10.1 Allowances for impairment of trade and other recievables				
Balance at 1 January	(192 451)	-	(192 451)	-
Charge for the year	(333 341)	(192 451)	(198 301)	(192 451)
Balance at 31 December	(525 792)	(192 451)	(390 752)	(192 451)

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 2012 $	%	Shareholding as at 31 Dec 2011 $	%
Subsidiaries				
Waneka Investments (Private) Limited	283 218	70	283 218	70
Simtake Investments (Private) Limited	-	-	222 467	92
Makeup Investments (Private) Limited	-	-	289 323	100
Manellie Investments (Private) Limited	249 540	100	249 540	100
Norton Medical Investments (Private) Limited	498 605	60	498 605	60
Special purpose entities				
Poundstone Investments (Private) Limited	26 000	100	26 000	100
Total	1 057 363		1 569 153	

All subsidiaries have been consolidated in these financial statements.

In May 2012, the Group disposed of its investments in Simtake Investments (Private) Limited ("Simtake") and Makeup Investments (Private) Limited ("Makeup"). The subsidiaries operated in the housing sector and contributed a loss of $394 507 to the Group for the period from January 2012 to May 2012 (2011: $14 912). The year end for all subsidiaries is 31 December.
The details of assets and liabilities disposed and the disposal consideration are as follows:

	Simtake Investments (Private) Limited US$	Makeup Investments (Private) Limited US$	Total US$
Consideration receivable/received	313 919	687 831	1 001 750
Carrying amount of Group's interest in subsidiaries	(42 121)	64 068	17 947
Gain on disposal	360 040	623 763	983 803

11.2 Investments in associates

11.2 Investments in associates

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

The Group acquired an additional shareholding in Africom Continental (Private) Limited at a cost of US$1 050 000 through a rights issue. The transaction resulted in the Group's shareholding in Africom Continental (Private) Limited increasing to 33.31% from 30% before the rights issue.

	Country of Incorporation	Assets US$	Liabilities US$	Revenue US$	Profit/(loss) US$	% interest held
As at 31 December 2012						
Name						
Africom Continental (Private) Limited	Zimbabwe	8,692,040	1,130,519	274,500	(607,693)	33
Shungu Engineering (Private) Limited	Zimbabwe	-	-	-	-	20
Lashlands Safaris (Private) Limited	Zimbabwe	25,000	-	-	(25,000)	25
Nyamazi Lodge (Private) Limited	Zimbabwe	24,000	-		(140)	26
Bestafoam (Private) Limited	Zimbabwe	-	-	-	-	20
As at 31 December 2011						
Name						
Africom Continental (Private) Limited	Zimbabwe	7,398,286	1,768,510	279,270	(586,155)	30
Shungu Engineering (Private) Limited	Zimbabwe	-	-	-	-	20
Lashlands Safaris (Private) Limited	Zimbabwe	50,000	-	-	-	25
Nyamazi Lodge (Private) Limited	Zimbabwe	24,140	-	-	-	26
Bestafoam (Private) Limited	Zimbabwe	-	-	-	-	20

	CONSOLIDATED		BANK	
	2012 US$	2011 US$	2012 US$	2011 US$
At 1 January	1 696 055	1 969 085	1 696 055	1 969 085
(Share of loss of associates) / Reversal of share of loss of associates	(195 718)	(198 890)	198 890	(198 890)
Impairment loss	(25 140)	-	(25 140)	-
Investments acquired	1 050 000	-	1 050 000	-
Reclassified from/(to) non current asset held for sale (note 16)	74 140	(74 140)	74 140	(74 140)
At 31 December	2 599 337	1 696 055	2 993 945	1 696 055

	CONSOLIDATED		BANK	
	2012	2011	2012	2011
	US$	US$	US$	US$
12 INVENTORIES				
Raw materials	167 657	189 504	-	-
Finished goods	17 592	60 437	17 592	60 437
	185 249	249 941	17 592	60 437
Current	185 249	249 941	17 592	60 437

	CONSOLIDATED		BANK	
	2012	2011	2012	2011
	US$	US$	US$	US$
13 INVESTMENT PROPERTY				
Balance as at 1 January	6 447 760	5 361 860	6 407 760	5 321 860
Replacements during the year	5 463	69 150	5 463	69 150
Additions during the year	1 200 000	-	1 200 000	-
Disposals during the year	(790 000)	-	(790 000)	-
Net gain from fair value adjustments	4 264 869	1 016 750	4 264 869	1 016 750
Balance as at 31 December	11 128 092	6 447 760	11 088 092	6 407 760
Non-current	11 128 092	6 447 760	11 088 092	6 447 760
Analysis by nature				
Residential stands	2 181 692	1 894 036	2 181 692	1 894 036
Commercial and industrial properties	8 946 400	4 553 724	8 906 400	4 513 724
	11 128 092	6 447 760	11 088 092	6 407 760

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

	CONSOLIDATED		BANK	
	2012	2011	2012	2011
	US$	US$	US$	US$
Rental income	304 031	258 955	299 711	255 175

The Group's investment properties were revalued at 31 December 2012 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.

	Consolidated 2012 US$	Consolidated 2011 US$
14 INTANGIBLE ASSETS		
Computer software		
Year ended 31 December		
Opening net book amount	706 878	-
Additions	189 792	799 892
Amortisation	(231 038)	(93 014)
Closing net book amount	665 630	706 878
At 31 December		
Cost	989 684	799 892
Accumulated amortisation	(324 052)	(93 014)
Closing net book amount	665 632	706 878

Amortisation of US$ 231 038 (2011: US$ 93 014) has been charged to operating expenses.

15(a) PROPERTY AND EQUIPMENT - CONSOLIDATED

Year ended	Land and buildings US$	Computer and office equipment US$	Motor vehicles US$	Fixtures and fittings US$	Capital work in progress US$	Total US$
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
Year ended 31 December 2012						
Opening net book amount	1 819 137	235 424	658 730	10 539	1 400 000	4 123 830
Additions	-	221 790	601 214	11 076	-	834 080
Disposals	-	-	(216 505)	-	-	(216 505)
Depreciation charge	(36 147)	(130 674)	(165 048)	(11 200)	-	(343 068)
Net book amount	1 782 991	326 540	878 391	10 415	1 400 000	4 398 337

Year ended	Land and buildings US$	Computer and office equipment US$	Motor vehicles US$	Fixtures and fittings US$	Capital work in progress US$	Total US$
At 31 December 2012						
Cost	2 000 000	827 837	1 938 319	481 247	1 400 000	6 647 403
Accumulated depreciation	(217 009)	(501 297)	(1 059 928)	(470 832)	-	(2 249 066)
Net book amount	1 782 991	326 540	878 391	10 415	1 400 000	4 398 337

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$ 343 068 (2011: US$ 354 509) has been charged to operating expenses (note 30)

15(b) PROPERTY AND EQUIPMENT - BANK

Year ended	Land and buildings US$	Computer and office equipment US$	Motor vehicles US$	Fixtures and fittings US$	Capital work in progress US$	Total US$
31 December 2011						
Opening net book amount	1 855 284	49 411	483 624	2 353	364 256	2 754 928
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)
Closing Net book amount	1 819 137	235 424	658 730	10 539	-	2 723 830
At 31 December 2011						
Cost	2 000 000	606 047	1 889 105	450 673	-	4 945 825
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	-	2 723 830
Year ended 31 December 2012						
Opening net book amount	1 819 137	235 424	658 730	10 539	-	2 723 830
Additions	-	221 790	601 214	11 076	-	834 080
Disposals	-	-	(216 505)	-	-	(216 505)
Depreciation charge	(36 147)	(130 674)	(165 048)	(11 200)	-	(343 068)
Closing Net book amount	1 782 991	326 540	878 391	10 415	-	2 998 337
At 31 December 2012						
Cost	2 000 000	827 837	1 938 319	481 247	-	5 247 403
Accumulated depreciation	(217 009)	(501 297)	(1 059 928)	(470 832)	-	(2 249 066)
Net book amount	1 782 991	326 540	878 391	10 415	-	2 998 337

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$ 343 068 (2011: US$ 354 509) has been charged to operating expenses (note 30)

	2012	2011
16 NON-CURRENT ASSETS HELD FOR SALE	**US$**	**US$**
Investments in associates	-	74 140
Construction materials and prepayments to contractors	-	264 706
Total	-	338 846

The assets previously classified as non-current assets held for sale have been reclassified to their original classification following the decision by the Group to dispose its interest in Makeup Investments (Private) Limited and Simtake Investments (Private) Limited, which were its subsidiaries (note 11.2).

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.

Issued share capital

	Number of shares	Share capital US$	Share premium US$	Total US$
At 1 January 2011	2 153 760	21 537	849 743	871 280
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
At 1 January 2012	2 331 114	23 311	5 847 969	5 871 280
Issue of shares	-	-	-	-
At 31 December 2012	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

	CONSOLIDATED		BANK	
	2012	2011	2012	2011
Deposits due to customers are primarily composed of amounts payable on demand and term deposits.	US$	US$	US$	US$
Large corporate customers	56 764 299	45 821 803	56 886 027	45 821 803
Retail customers	306 518	880 882	306 518	880 882
	57 070 817	46 702 685	57 192 545	46 702 685

19.1 Maturity analysis of deposits from customers

Up to one month	36 988 177	36 988 177	36 988 177	36 988 177
Up to three months	500 000	500 000	500 000	500 000
Up to six months	19 582 640	9 214 508	19 704 368	9 214 508
	57 070 818	46 702 685	57 192 545	46 702 685

Deposits due to customers only include financial instruments classified as liabilities at amortised cost. The fair value of the deposits approximate the fair value due to their short tenor.

19.2 Sectorial analysis of deposits from customers

	2012		2011	
	(%)	US$	(%)	US$
Communication	1%	400 000	3%	1 240 900
Financial markets	2%	1 400 000	1%	501 042
Fund managers and pension funds	20%	11 430 450	19%	9 066 329
Individuals	12%	6 652 011	0%	241 919
Government and public sector institutions	53%	30 474 463	75%	34 795 889
Other services	12%	6 713 893	2%	856 606
	100%	57 070 817	100%	46 702 685

20 FOREIGN LINES OF CREDIT

	2012	2011
	US$	US$
Lines of credit	39 797 560	37 164 316
Current	37 544 268	35 964 316
Non-current	2 253 292	1 200 000
	39 797 560	37 164 316

20.1 Maturity analysis of loans

	2012	2011
Principal balances not yet due	2 253 292	1 200 000
Arrears	37 544 268	35 964 316
	39 797 560	37 164 316

20.3 Maturity analysis of gross amount

	2012	2011
On demand, due to being in arrears	37 544 268	35 964 316
Maturity within 1 year	-	-
Maturity after 1 year but within 5 years	2 253 292	1 200 000
	39 797 560	37 164 316

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2012

20.4 Detailed analysis by currency
Year ended 31 December 2012

Foreign currency	Interest rate	Final redemption date	Principal balance opening FC	Draw down FC	Repayment FC	Principal balance closing FC	Arrears own currency FC	Exchange rate	Arrears closing balance US$	Total lines of credit US$
GBP										
EIB I	5.00%	1999	-	-	-	-	110 871	1.626	180 267	180 267
EIB IV	4.35%	2004	-	-	-	-	1 003 217	1.626	1 631 150	1 631 150
CHF										
EIB I	5.00%	1999	-	-	-	-	506 017	1.092	552 631	552 631
EIB IV	3.00%	2004	-	-	-	-	1 583 666	1.092	1 729 553	1 729 553
JPY										
EIB I	5.00%	1999	-	-	-	-	80 191 383	0.012	926 130	926 130
EIB II	3.00%	2002	-	-	-	-	130 297 572	0.012	1 504 807	1 504 807
EURO										
DEG INCOME NOTES	8.00%	2001	-	-	-	-	1 616 496	1.296	2 094 817	2 094 817
EIB II	3.00%	2002	-	-	-	-	6 524 685	1.296	8 455 340	8 455 340
EIB IV (ex ITL)	3.00%	2004	-	-	-	-	4 631 949	1.296	6 002 543	6 002 543
EIB IV (ex FFr)	3.00%	2004	-	-	-	-	3 336 637	1.296	4 323 947	4 323 947
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	-	-	-	-	-
EIB IV	2.61%	2004	-	-	-	-	5 673 076	1.000	5 673 076	5 673 076
FINN FUND II	3.00%	2004	-	-	-	-	4 470 006	1.000	4 470 006	4 470 006
Total shareholders' loans									37 544 268	37 544 268
CBZ Bank Limited - ZETREF	5.19%	2014	-	2 253 292-		2 253 292	-	1.000	2 253 292	2 253 292
									39 797 560	39 797 560

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2012

20 FOREIGN LINES OF CREDIT (continued)

20.4 Detailed analysis by currency (continued)

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	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

21 LOCAL LINES OF CREDIT AND BONDS

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.

	2012 US$	2011 US$
Bonds	17 950 965	-
Local lines of credit	4 959 743	10 821 136
Total	22 910 708	10 821 136
Current	10 943 398	10 821 136
Non current	11 967 310	-

Lines of credit and bonds are recognised initially at fair value, net of transaction costs incurred. Lines of credit and bonds 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	
	2012 US$	2011 US$	2012 US$	2011 US$
Accruals	803 153	668 976	181 084	668 976
Provision for outstanding leave (note 22.1)	533 502	349 196	533 502	349 196
Other	1 739 400	2 106 990	1 752 865	1 585 420
	3 076 055	3 125 162	2 467 451	2 603 592
Current	3 076 055	3 125 162	2 467 451	2 603 592

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 the charge is recognised in the statement of comprehensive income within "employee benefit costs" (note 30.1).

	CONSOLIDATED		BANK	
	2012 US$	2011 US$	2012 US$	2011 US$
Balance at 1 January	349 196	226 526	349 196	226 526
Additional provisions	218 178	122 670	218 178	122 670
Utilised during the year	(33 872)	-	(33 872)	-
Balance at 31 December	533 502	349 196	533 502	349 196

		2012 US$	2011 US$
23	**NET INTEREST INCOME**		
23.1	**Interest income:**		
	Loans and advances to customers	13 513 891	14 886 407
23.2	**Interest expense:**		
	Deposits due to customers	(5 210 432)	(2 885 744)
	Foreign lines of credit	(1 337 566)	(2 066 265)
		(6 547 998)	(4 952 009)
24	**LOAN IMPAIRMENT CHARGES**		
	Loans and advances to customers (note 9)		
	Increase in impairment	(2 097 028)	(5 745 473)
25	**FEE AND COMMISSION INCOME**		
	Advisory and management fees	1 944 559	2 616 219
	Other	454 260	258 023
		2 398 819	2 874 242
26	**NET GAINS / (LOSSES) ON FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS**		
	Listed equity securities	3 542	(4 023)
27	**OTHER OPERATING INCOME**		
	Rental income	304 031	258 955
	Other operating income	1 324 196	175 298
		1 628 227	434 253
28	**NET GAINS ON FAIR VALUE OF INVESTMENT PROPERTY**		
	Realised gains from disposal of investment property	553 000	-
	Unrealised gains from fair value adjustment of investment property	3 711 869	1 016 750
		4 264 869	1 016 750
29	**NET FOREIGN EXCHANGE GAINS**		
	Net realised gains from dealing in foreign currency	474 993	760 169
	Net unrealised (losses)/gains from translation of foreign currency balances	(137 905)	711 955
		337 088	1 472 124

		2012 US$	2011 US$
30	**OPERATING EXPENSES**		
	Repairs and maintenance	227 688	244 437
	Employee benefits expense (note 30.1)	6 096 679	6 056 912
	Telecommunication and postage	71 414	76 907
	IT and software costs	244 656	90 749
	Directors remuneration:		
	- for services as directors	179 400	202 992
	Operating lease payments	174 406	150 159
	Water, electricity and rates	175 623	100 573
	Professional fees	151 252	128 851
	Audit fees:		
	- current year	-	-
	- prior year	271 200	139 919
	Amortisation (note 14)	231 038	93 014
	Depreciation (note 15)	343 068	354 509
	Fuel and lubricants	69 687	67 293
	Travel and entertainment	196 871	157 441
	Marketing and public relations	49 199	54 844
	Insurance and security	160 294	90 354
	Subscriptions	54 265	56 512
	Printing and stationery	73 573	75 722
	Bank charges	47 382	63 028
	Strategic Planning Expenses	35 226	66 241
	Canteen Expenses	31 520	30 861
	Staff Training	38 005	43 570
	Refreshments	37 688	32 761
	Other administrative costs	812 391	192 828
		9 772 525	8 570 477
30.1	**Employee benefit expense**		
	Salaries and bonus	4 322 309	4 366 096
	Pension costs	514 050	422 063
	Post employment medical benefits	243 512	204 001
	Leave pay provision	184 306	122 670
	Other	832 501	942 084
		6 096 678	6 056 914

Post employment benefits

Pension Fund

The Group operates a defined contribution plan for all permanent employees. A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate 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

30.1 Employee benefits expense (continued)

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.

	2012 US$	2011 US$
Contributions made during the year	454 600	378 211

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'sobligations under the scheme are limited to specific contributions legislated from time to time.

	2012 US$	2011 US$
Contributions for the year	59 450	43 852

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 dilutive instruments were held during the year. (2011 - US$nil)

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

	2012	2011
Profit attributable to equity holders (US$)	3 574 289	1 232 567
Number of issued ordinary shares	2 331 114	2 331 114
Basic earnings per share (US cents)	153	53

Dividends per share

The dividend paid in 2012 was US$0.21 per share and totalling US$499,978 which was declared and approved at the last annual general meeting held on 19 October 2012.

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 respective companies. The directors are of the opinion that the results of recent and continuing negotiations with co-shareholders have given strong indications that access to financial records and operations is probable in full in the near future.

33 COMMITMENTS

a) Loan commitments, guarantees and other financial facilities

At 31 December 2012, the Group had contractual amounts for off-balance sheet financial instruments that commit it to extend guarantees and loans as follows:

	2012 US$	2011 US$
Loan commitments	32 460 959	19 853 248

b) **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:

	2012 US$	2011 US$
No later than 1 year	210 048	126 385

The lease rentals are renegotiated annually in January.

34 FUNDS UNDER MANAGEMENT

Government funds under management

The Government of Zimbabwe disburses, through the Group, 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.

	2012 US$	2011 US$
Held on behalf of:		
Government of Zimbabwe	197 519 934	175 762 883
Represented by:		
Sinking fund	6 960 621	10 821 136
Amounts awaiting disbursement	4 478 302	11 441 508
Loans and advances to parastatals and government implementing agencies	186 081 011	153 500 239
	197 519 934	175 762 883

35 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 opportunities facing the organisation.

Identity of related parties

The Group is controlled by the Government of Zimbabwe which constitutes the major shareholder. The Group has a related party relationship with its 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 2012, 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) and members of the Executive Committee. The compensation paid or payable to key management for employee services is shown below:

	2012 US$	2011 US$
Salaries and other short-term employee benefits	1 300 794	1 534 202
Post-employment benefits	91 775	88 099
	1 392 569	1 622 301

c) Loans and advances to related parties

	Directors and other key management personnel 2012 US$	Associated Companies 2012 US$	Directors and other key management personnel 2011 US$	Associated Companies 2011 US$
Loans outstanding at 31 December	467 708	1 677 686	104 906	-
Interest income earned	16 445	269 923	-	-

No allowance for impairment was required in 2012 (2011: US$ nil) for the loans made to key management personnel and a general allowance of $82 861 was made on loans advanced to associated companies (2011: US$ nil).

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 2012 US$	Associated Companies 2012 US$	Directors and other key management personnel 2011 US$	Associated Companies 2011 US$
Deposits at 31 December	14 732	140 383	14 034	-
Interest expense on deposits	1 103	-	-	-

The above deposits are unsecured, carry fixed interest rates and repayable on demand.

e) Director's shareholdings

As at 31 December 2012, the directors did not hold directly or indirectly any shareholding in the Bank.

36 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 31December 2012. The declaration was made on 21 May 2013.

Notice is hereby given that the 28th 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 Thursday, 27 June 2013 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 2012;

2. To approve the payment of a dividend for the financial year ended 31 December 2012;

3. To approve the remuneration of the auditors for the year ended 31 December 2012 and to note the retirement of PricewaterhouseCoopers, Chartered Accountants in terms of Section 25B (2) of the IDBZ Act (Chapter 24:14);

4. To appoint external auditors of the Bank for the year ending 31 December 2013 in terms of Section 25B (1) of the IDBZ Act (Chapter 24:14), who will hold office until the conclusion of the next Annual General Meeting;

5. To approve the remuneration of the Directors for the year ended 31 December 2012;

6. To transact any other business that may be transacted at the Annual General Meeting.

SPECIAL BUSINESS

7. **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

6 June 2013

Registered Office:
99 Rotten Row,
Harare, Zimbabwe
Telephone 263 4 774 226/7, 750 171 - 8
Fax: 263 4 749012

PROXY FORM

I/WE ....

of ....

being the registered holder of ....

Ordinary Shares in the Infrastructure Development Bank of Zimbabwe

hereby appoint ....

of ....

or, failing him, the Chairman of the meeting as my/our proxies, to vote for me/us and on my/our behalf at the ANNUAL GENERAL MEETING of the Bank to be held in the Boardroom, IDBZ House, 99 Rotten Row, Harare, Zimbabwe on Thursday, 27 June 2013 commencing at 11:00 hours and at any adjournment thereof.

Signed this .... Day of 2013

Signature of Member ....

NOTE:

A member entitled to attend and vote at the meeting may appoint any person or persons to attend, speak and vote in his stead. A proxy need not be a Member of the Bank. Proxy forms must be lodged with the Secretary not less than forty-eight (48) hours before the time appointed for the meeting.

Registered Office:
99 Rotten Row
P O Box 1720 Harare
Zimbabwe
Tel: 774226/7, 750171-8
Fax: 749012